Supreme Court, U.S.
FILED

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No.

In the Supreme Court of the United States

OCTOBER TERM, 1994

TRI-STAR PICTURES, INC.,

Plaintiff-Respondent,

-against-

LEISURE TIME PRODUCTIONS, B.V.,

Defendant-Petitioner.

LEISURE TIME PRODUCTIONS, B.V.,

Third-Party Plaintiff-Petitioner,

-against-

COLUMBIA PICTURES INDUSTRIES and
COLUMBIA PICTURES ENTERTAINMENT, INC.,

Third-Party Defendants-Respondents,

HORIZON PICTURES, G.B., ACADEMY PICTURES, A.G.
and DAVID N. BOTTOMS and HON. RAYA S. DREBEN,
as Executors of the Estate of SAMUEL SPIEGEL,

Third-Party Defendants.

**ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

PETITION FOR A WRIT OF CERTIORARI

Steven Brock
Counsel of Record

Gary Centola
James W. Weller
RIVKIN, RADLER & KREMER
Attorneys for Petitioner
EAB Plaza
Uniondale, New York 11556
(516) 357-3000

Virgil Mountain, Inc. **(212) 779-4046** **(L2880)**

104 pp

QUESTIONS PRESENTED

1. Whether the Second Circuit erred in affirming, in contravention of established precedent governing the disposition of summary judgment motions, summary judgment relieving respondent, Tri-Star, of its contractual obligations to distribute the film "Return from the River Kwai," a film depicting atrocities committed by the Japanese military against allied Prisoners of War during World War II, either with its original title or with a different one, and in doing so effectively shifted the burden of proof to the party opposing the motion to show, as a matter of law, that its defense of laches would succeed?

2. Whether the Second Circuit erred in holding that Tri-Star (now owned by Sony) did not breach its duty to petitioner Leisure Time to exercise good faith business judgment and good faith and fair dealing, by failing to compel Tri-Star's sister corporation, Columbia (also owned by Sony), to grant a license to Leisure Time, where the grant of a license would have eliminated Tri-Star's claim that Leisure Time breached its contract by failing to deliver a film free of all claims where Columbia presently owned the claims in issue?

LIST OF PARTIES TO THIS PROCEEDING

Petitioner, LEISURE TIME PRODUCTIONS, B.V., is incorporated pursuant to the laws of the Netherlands. It has no parent company, subsidiary or affiliate that has issued shares to the public.

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Third-Party Defendants.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

The Petitioner, Leisure Time Productions, B.V. ("Leisure Time"), respectfully prays that a Writ of Certiorari issue to review the opinion of the United States Court of Appeals for the Second Circuit, entered in the above entitled proceeding on February 17, 1994.

OPINIONS BELOW

The opinion of the Court of Appeals was reported at *Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V.*, 17 F.3d 38 (2d Cir. 1994) and is annexed hereto as Appendix E at page A51. Petitioner's Petition for Rehearing and Suggestion for Rehearing En Banc was denied by the Court of Appeals in an order made and entered on June 16, 1994, and is annexed hereto as Appendix F at page A68.

The opinions of the United States District court for the Southern District Court of New York (Edelstein, D.J.), which form the basis for the appeal to the Second Circuit and the petition are reported respectively at *Tri-Star Pictures Inc. v. Leisure Time Productions, B.V.*, 749 F.Supp 1243 (S.D.N.Y. 1990), and *Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V.*, 1992 U.S. Dist. Lexis 15232 (S.D.N.Y. Oct. 6, 1992), and are annexed hereto as Appendices B and C at pages A4 and A30. The judgment entered by the

district court on March 24, 1993 with respect to these two opinions is annexed hereto as Appendix D at page A47.

JURISDICTION

Invoking federal jurisdiction under 28 U.S.C. § 1332(a), the respondent, Tri-Star Pictures, Inc. ("Tri-Star") brought this suit in the Southern District of New York. By opinion dated and entered October 15, 1990 the Southern District granted the respondent's motion for summary judgment. Petitioner's motion for reconsideration was denied by the Southern District in an opinion and order dated and entered October 6, 1992. In a final order and judgment entered March 24, 1993, the Southern District granted judgment in favor of respondent Tri-Star on its claim for declaratory judgment.

On petitioner's appeal, the Second Circuit, by opinion dated and entered February 17, 1994, affirmed the Southern District's judgment. Petitioner petitioned for a rehearing from the Second Circuit, which was denied by order dated and entered June 16, 1994.

The jurisdiction of this Court to review the Second Circuit's decision is invoked under 28 U.S.C. § 1254(1).

STATUTE INVOLVED

Federal Rule of Civil Procedure 56 is annexed hereto as Appendix A at page A1.

I.

STATEMENT OF THE CASE

This case arises out of a 1986 agreement (the "Agreement" or "Distribution Agreement") which Leisure Time entered into with Tri-Star by which Tri-Star agreed to distribute throughout North America a film which Leisure Time was considering producing entitled "Return from the River Kwai" *("Return").* Tri-Star and its sister corporation, Columbia Pictures Industries, Inc. ("Columbia") are both now owned by Sony Corporation of Japan ("Sony"). In reliance upon the Agreement, Leisure Time expended millions of dollars producing *Return* and delivered the completed film to Tri-Star. Rather than distribute the film, Tri-Star commenced the declaratory judgment action which forms the basis for this case, pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202, asserting that it is not bound by the terms of the Distribution Agreement.

In contravention of decisions of this Court and in conflict with other decisions, the Court of Appeals' decision will chill, and may well paralyze, the motion picture industry by removing the only protection makers of films have against those with the power and authority to distribute their product. The ability to rely on such an agreement is critical to the decision by producers and investors to commit substantial time, effort and funds to producing a motion picture. However, by resolving this contractual dispute short of a trial, the Court of Appeals may well have altered the balance in the motion picture industry between distributors and producers of films.

Studios, emboldened by the Court of Appeals' decision allowing Tri-Star to walk away from its contractual obligations, are now provided with clear and substantial authority to breach distributing agreements on the thinnest of claims. Well aware of this, producers will either refuse projects or will proceed haunted by uncertainty as to whether distribution agreements are worth the paper they are written on.

THE PARTIES

Petitioner Leisure Time is an independent producer of motion pictures. On or about July 24, 1978, Leisure Time (through its predecessor in interest here, Screenlife Establishment) acquired the motion picture rights in a book entitled Return From the River Kwai, written by Joan and Clay Blair. Leisure Time's screenplay was a fictionalized adaptation of the Blair's book. Both the film and the book upon which it was based share an identical story line relating to the plight of World War II Prisoners of War and the ill treatment that those Prisoners of War suffered at the hands of the Japanese.

Respondent Columbia is a major motion picture studio. Among the many films in its library is the 1957 film produced by the late Sam Spiegel, "The Bridge on the River Kwai" *("Bridge")*, based on a Pierre Boulle novel. As is described in greater detail below, in 1959 Columbia succeeded to all right, title and interest in *Bridge*, including all sequel rights, rights in the *Bridge* title, and whatever trademark exists, leaving Spiegel (through various entities he controlled) with only a passive royalty interest. Academy Pictures, A.G., ("Academy") which was formed

by Spiegel, succeeded to and now owns Spiegel's royalty interest.

In or about December, 1987, Tri-Star became the parent company of Columbia, thereby gaining control of Columbia and its film library, including *Bridge.* As part of this asset acquisition, Tri-Star was renamed Columbia Pictures Entertainment, Inc., a respondent herein, which was incorporated to oversee the operations of its two motion picture companies, Tri-Star and Columbia (which the Complaint describes as "sister companies"). Sony acquired Columbia Pict res Entertainment, Inc. (as well as Tri-Star and Columbia) in or about September 1989 (after this action was commenced, but before summary judgment was granted).

THE DISTRIBUTION AGREEMENT

In or about the summer of 1986, Leisure Time and Tri-Star, a major producer and distributor of motion pictures, entered into the Distribution Agreement, whereby Tri-Star agreed to release Leisure Time's film, *Return,* theatrically throughout the United States and Canada *(See Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V.,* 17 F.3d 38, 40 [2d Cir. 1993]) (hereinafter *"Tri-Star"),* although the contract required Leisure Time, not Tri-Star, to advance the prints and advertising costs ($4,000,000) associated with distributing the picture. Consequently, Tri-Star undertook no financial risk by agreeing to distribute *Return.*

That same year, Leisure Time also entered into a lucrative agreement with Home Box Office to distribute the picture for cable television and videocas-

sette. It licensed the syndicated television rights to the film in the United States and Canada to ITC Entertainment. Both agreements, however, were conditioned upon the film's domestic theatrical release and crumbled when Tri-Star refused to distribute the film.[1]

The agreement provided Tri-Star with the right to terminate in the event of a "default" by Leisure Time, defined to include Leisure Time's failure "to perform any of its *material obligations*" under the agreement or breach of any representation or warranty "which *materially* affects Tri-Star's rights." *(See Tri-Star,* 17 F.3d at 41.) (Emphasis added.) In addition to these "materiality" limitations on Tri-Star's right of termination, and buttressing the implied obligation of good faith and fair dealing that arises in every contract under California law (which governs the Distribution Agreement)[2] the Agreement specifi-cally provides that "all decisions with respect to the distribution of the Picture hereunder shall be made

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1 Leisure Time also entered into other agreements to distribute the film abroad, and in fact, notwithstanding this dispute, *Return* has been, and continues to be, shown in movie theaters, on television, cable, satellite, and on videocassette in over 40 countries around the world under the original *Return* title without interference.

2 The Agreement includes a choice-of-law provision selecting California's law to govern all matters pertaining to the contract's execution and performance.

by [Tri-Star] in its reasonable *good faith* business judgment." (Emphasis added.)[3]

In addition to agreeing to indemnify Tri-Star for any claims made by reason of a breach of the Agreement, the Distribution Agreement also required Leisure Time to procure errors and omissions insurance, which it did, and which protected Tri-Star from

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[3] In its term sheet and annexed Schedule A, the contract specifically provides:

Term Sheet

"8. Distribution: ... (b) ... all decisions with respect to distribution of the picture hereunder shall be made by TSP in its reasonable good faith business judgment."

Schedule A

"7. DEFAULT AND FORCE MAJEURE.

A. Events of Default: The following shall each constitute an "Event of Default":

(1) Any failure, refusal or neglect of Company to perform any of its material obligations under this Agreement or under any other agreement relating to the Picture which materially affects Tri-Star's rights hereunder, including, without limitation, Company's obligation to deliver the Picture in accordance with the terms hereof;

(2) Any breach or default by Company of any representation, warranty or other terms or provision of this Agreement, which materially affects Tri-Star's rights hereunder ...."

any claims for money damages. *(See Tri-Star,* 17 F.3d at 44.)

THE PURPORTED CLAIM OF TRADEMARK INFRINGEMENT

In June, 1987, Ronald Jacobi, then general counsel of Columbia, advised Leisure Time that Columbia and Horizon Pictures, a Spiegel-related entity, believed that the *Return* title infringed the trademark rights in *Bridge. (See Tri-Star,* 17 F.3d at 41.) Discovery revealed that the protest was made at the behest of Jacobi, not the Spiegel interests. (Deposition of Albert Heit, Joint Appendix before the Second Circuit (hereinafter "JA") at 662-69; Letter from Ronald Jacobi to Albert Heit, JA at 714.) Correspondence between Columbia and Leisure Time took place throughout 1987 and 1988, with Columbia requesting that the title be changed and Leisure Time seeing no reason to do so.[4] All the while, Leisure Time moved the production of *Return* towards completion. By the spring of 1988, the parties had reached a stalemate with regard to the title.

Unable on its own to persuade Leisure Time to change its title, Columbia—in the meantime acquired by Tri-Star—sought its "sister company" Tri-Star's assistance. On June 27, 1988, a senior executive

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4 Leisure Time based its position on Columbia's earlier failed protest about the title (more about that below), its belief that there was no "River Kwai" trademark, and the fact that Leisure Time in any event had agreed to add a disclaimer, ending the issue.

vice president of Columbia wrote David Matalon, Columbia's president, to "enlist [Matalon's] good offices in persuading Leisure Time to change the title of [its] motion picture ...." (Letter from Roger Faxon to David Matalon, JA at 273). The change, according to this Columbia executive, was required by Columbia's "obligation to the estate of Sam Spiegel ... as well as to ourselves to protect the value of our motion picture and its potential sequels." *(Id.)* Incredibly, the Columbia executive making the request was Roger Faxon, the very same person who, while executive vice president of Tri-Star in 1986, had signed the Distribution Agreement obligating Tri-Star to distribute the film of the very same title he now demanded be changed. *(See Tri-Star,* 17 F.3d at 41.)

Prodded by Columbia, Matalon—a longstanding Columbia executive before moving to Tri-Star—wrote Leisure Time on September 23, 1988 and began laying the groundwork for a possible termination of the Distribution Agreement. Thus, Matalon reported that, "based upon advice I have received from both our outside counsel and our legal department, I continue to believe that there is a substantial risk that the Spiegel estate would prevail in a suit to enjoin the release of 'Return from the River Kwai,' with that title." (Letter from David Matalon to Kurt Unger, JA at 261). Discovery revealed that Matalon's legal advisors included Mr. Jacobi, the very lawyer who initiated the dispute with Leisure Time while general counsel of Columbia, and who had become general counsel to both Columbia and Tri-Star. Other, undisclosed motives may also have prompted Tri-Star's move towards termination of the Distribution Agreement.

THE SALE OF TRADEMARK RIGHTS IN *BRIDGE*

While reporting its counsel's view on the likelihood of success of a threatened lawsuit by the Spiegel estate, what Tri-Star never revealed, until forced to by discovery, is the incredible fact that *Columbia, not the Spiegel interests,* had long owned *all* of the trademark and other rights in *Bridge.* In January, 1959, Columbia paid a Spiegel-controlled entity, Horizon Pictures, $1,000,000 for all of Spiegel's interest in *Bridge,* including the title and any sequel and other rights to the film. All that the Spiegel interests retained, and all that they had in 1988, was at most a passive royalty interest in certain proceeds of the film. (Bill of Sale between Columbia and Horizon Pictures, JA at 777-78, 781.)

Neither Columbia nor Tri-Star nor any of the Spiegel interests revealed to Leisure Time prior to this litigation that Columbia, which had been acquired by Tri-Star, owned all of the rights to *Bridge.* Columbia owned the title. Columbia owned the sequel rights. And Columbia had the right as a result of the Spiegel conveyance to license Leisure Time to use the title (or for that matter simply to declare *Return* a sequel). Tri-Star never took any steps to cause its affiliate, Columbia, to grant any of those rights to Leisure Time.

TRI-STAR'S REFUSAL TO DISTRIBUTE *RETURN*

Unaware of the true facts concerning Columbia's ownership of the trademark and other rights in *Bridge,* in October of 1988, Leisure Time acceded to Tri-Star's request to change the title of its film to "March from the River Kwai." *(See Tri-Star,* 17 F.3d

at 41.) At Tri-Star's further request, Leisure Time also agreed to add a disclaimer making plain that the film was not a sequel to *Bridge*.

Nevertheless, unable to secure Academy's unnecessary (in light of the 1959 sale of all rights to Columbia) consent to this compromise, on December 5, 1988, Tri-Star reversed fields again and demanded that Leisure Time drop "River Kwai" from the title of the film. *(See* 17 F.3d at 41.) Mr. Jacobi, purportedly acting on behalf of Tri-Star, advised Leisure Time that Academy's threat to sue put Leisure Time in default of its obligation under the Distribution Agreement to deliver the film free of any claim that could impair or interfere with Tri-Star's distribution rights. (Letter from Ronald Jacobi to William Davis, JA at 268). According to Jacobi, the existence of the Academy claim constituted an "Event of Default" under the Agreement that warranted termination by Tri-Star. *(Id.)*

THE LAWSUIT

On December 27, 1988, Tri-Star initiated litigation when it filed a complaint seeking a judgment declaring Leisure Time in breach of the Distribution Agreement and demanding its termination. Leisure Time counterclaimed against Tri-Star for breach of contract in light of Tri-Star's refusal to distribute *Return* on the basis of Academy's immaterial claim, and brought third-party claims against Columbia and Columbia Pictures Entertainment, Inc. alleging that, acting alone or together with Tri-Star, they had committed acts constituting unfair competition and tortious interference with contractual relations and

had also violated provisions of New York's General Business Law. It is this action and these claims that are the subject of this petition.[5]

On the same day, Tri-Star brought a second action seeking a judgment, as between itself, Leisure Time, Columbia and Academy, declaring the parties' rights in and to any supposed "River Kwai" trademark that may exist. That action (the "Trademark Action," 88 Civ. 9129) remains pending before the district court. Rather than address the validity of the Trademark Action, resolution of which could also have resolved this action, Judge Edelstein, counter-intuitively, focused on the breach of contract issues raised in this action.

TRI-STAR'S MOTION FOR SUMMARY JUDGMENT AND THE DISTRICT COURT OPINIONS

Shortly after initiating this action, Tri-Star moved for summary judgment on its claim for a declaratory judgment. Leisure Time cross-moved for a summary judgment on its breach of contract claim on the basis of the sale of the Spiegel interests in *Bridge* to Columbia in 1959. In a written opinion dated October 15, 1990, Judge Edelstein ruled that Leisure Time had contractually warranted delivery of the film free and

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5 Leisure Time and Academy had also asserted claims against each other related to the use of the supposed *Bridge* mark, but those claims, which were the subject of a separate action, have since been dismissed voluntarily and were not part of the appeal or this petition.

clear of all claims and that the assertion by Academy of its claim that the *Return* title infringed the supposed *Bridge* mark constituted a breach of that warranty. (*Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V.*, 749 F.Supp.1243 [S.D.N.Y. 1990].) Judge Edelstein granted Tri-Star summary judgment on its contract claim, and dismissed Leisure Time's counterclaim for breach and derivative third-party claims for tortious interference and the like.[6]

Leisure Time subsequently moved for reconsideration of Judge Edelstein's October 15, 1990 Opinion and Order, contending that Tri-Star—Leisure Time's partner under the Distribution Agreement—had breached its obligations of good faith to Leisure Time.

Judge Edelstein's second opinion denied Leisure Time's motion and resolved all outstanding contract claims in this action (whether Tri-Star's or Leisure Time's). *Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V.*, 1992 U.S. Dist. Lexis 15232 (S.D.N.Y. Oct. 6, 1992)[7]. There remained, however, third-party claims and counterclaims between Leisure Time and Academy related to Leisure Time's use of the words "River Kwai" in a film title (these same claims, unrelated to the contract claims, were also asserted in the still-pending Trademark Action). To resolve those

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6 That decision also denied Leisure Time's and Academy's summary judgment motions on trademark issues being considered in the Trademark Action, but those issues are not germane to this petition.

7 The second opinion also granted Columbia and Tri-Star's motions for summary judgment on unfair competition, tortious interferences, and related claims Leisure Time had asserted.

claims and permit appeal on the contract issue, the parties entered into a Final Consent Judgment, resolving all claims in this action, that was "so ordered" by Judge Edelstein and entered on the docket on March 24, 1993.

LEISURE TIME'S APPEAL AND THE SECOND CIRCUIT OPINION

On April 22, 1993, Leisure Time appealed to the United States Court of Appeals for the Second Circuit from so much of the final order that granted Tri-Star, Columbia, and Columbia Pictures Entertainment, Inc. summary judgment and dismissed Leisure Time's contract-related claims. On appeal, Leisure Time argued that Judge Edelstein had erroneously held that Tri-Star was automatically excused from its obligations under the Distribution Agreement by the assertion of any claim against *Return*, regardless of the requirements under the Distribution Agreement that only a breach by Leisure Time which *materially* affected Tri-Star's ability to distribute the film would release Tri-Star from its obligations.

Leisure Time also contended that Judge Edelstein overlooked the requirement imposed on Tri-Star under the Distribution Agreement to exercise good fair business judgment in dealing with Leisure Time, and the common law duty of good faith and fair dealing also imposed upon Tri-Star, both of which required Tri-Star to undertake those measures necessary—including causing its sister company to issue whatever necessary licenses—to fulfill its obligations under the Distribution Agreement and distribute *Return*.

In an opinion dated and entered February 17, 1994, the Court of Appeals affirmed the district court's decision. *(Tri-Star,* 17 F.3d 38.) Agreeing with the district court, the Court of Appeals found that the Academy claim constituted a breach of Leisure Time's obligation to deliver *Return* free of claims. The Court rejected Leisure Time's argument that this did not materially affect Tri-Star's rights, since there were questions of fact suggesting laches by Academy and, therefore, Tri-Star could not show, as a matter of law, that Academy was entitled to injunctive relief on its infringement claim. The Court of Appeals also concluded that Tri-Star had no duty to compel Columbia, which the Court found to be Tri-Star's "sister company" *(see Tri-Star,* 17 F.3d at 45), to provide a license for Leisure Time, and, therefore did not fail to exercise good faith business judgment pursuant to the Distribution Agreement and under the doctrine of good faith and fair dealing.

Petitioner's petition for rehearing and suggestion for rehearing en banc was denied by the Court of Appeals in an order made and entered June 16, 1994.

II.

REASONS FOR GRANTING THE WRIT

This Court should grant certiorari and the Court of Appeals decision should be reversed because the Court of Appeals: (i) inappropriately shifted the burden to Leisure Time on Tri-Star's motion for summary judgment; (ii) resolved factual disputes concerning Tri-Star's obligation to license *Bridge* through its sister company, Columbia, by effectively creating an irrebuttable presumption that Tri-Star and Columbia are separate corporate entities; and (iii) glossed over critical factual questions relating to Tri-Star's good faith that should not be resolved by summary judgment.

A. The Decision Below Inappropriately Shifts The Burden of Proof On A Summary Judgment Motion To Leisure Time, The Non-Movant, By Requiring That It Demonstrate That It Was Entitled To Judgment As A Matter Of Law

The Court of Appeals decision improperly shifts the burden of proof to the party opposing summary judgment and requires that party to demonstrate, as a matter of law, that its defenses will succeed. This is in contravention of Rule 56 and the prevailing case law. This Court should exercise its supervisory powers to inform the Second Circuit of that Circuit's inappropriate application of summary judgment standards. The decision below not only contravenes established

precedent in this Court, but also conflicts with other decisions, including decisions in the Second Circuit.

Fed. R. Civ. P. 56 plainly requires that it is the moving party's burden to "show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." *See Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986) ("a party seeking summary judgment always bears the initial responsibility of informing the district court of the basis for its motion, and identifying those portions of 'the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any' which it believes demonstrates the absence of a genuine issue of material fact") (quoting Fed. R. Civ. P. 56(c)); *Seiden Assoc., Inc. v. ANC Holdings, Inc.*, 959 F.2d 425, 428 (2d Cir. 1992) ("it is only when there is no genuine issue as to any material fact that the moving party is entitled to judgment as a matter of law"); *General Elec. Co. v. New York State Dep't of Labor*, 936 F.2d 1448, 1452 (2d Cir. 1991) ("moving party has the burden of showing the absence of any genuine issue of material fact"). But the Court of Appeals improperly held that, because Leisure Time could not establish as a matter of law that the Columbia/Academy claim was barred by laches, Tri-Star was entitled to terminate the distribution agreement. (*Tri-Star*, 17 F.3d at 45.)

The Court of Appeals agreed with Leisure Time's argument that a claim for money damages did not materially threaten Tri-Star since Leisure Time had obtained E & O coverage for any such claim and, in addition, had indemnified Tri-Star against such liability. (*Id.* at 44.) The only claim, the Court found,

that conceivably threatened Tri-Star was the possibility of injunctive relief. *(Id.)* Whether or not injunctive relief could be awarded had not yet been decided and was an open issue.

The Court of Appeals also embraced Leisure Time's contention "that there are disputed issues of material fact as to whether Academy is guilty of laches." *(Id.* at 44-45.) And, indeed, there are. Leisure Time introduced evidence demonstrating that:

- Sam Spiegel, *Bridge's* producer and then Academy's principal, was offered the *Return* film rights in 1978 and turned them down, *(see Tri-Star,* 17 F.3d at 40);

- Leisure Time's subsequent acquisition of those rights in 1978 was publicized in the Hollywood trade press that Spiegel routinely read *(see id.);*

- Spiegel and Columbia received notice in 1978 of Leisure Time's registration of the *Return* title with the Motion Picture Association of America (Deposition of Dorothy Beer, JA at 523-24);

- Academy's lawyers admitted to discussing the book on which Leisure Time's film is based (a book of the same title) with Spiegel at some point in the early 1980s (Deposition of Albert Heit, JA at 650-56)—and yet despite this discussion and all that Spiegel had learned in the late 1970s, neither Spiegel nor Academy took action;

- from 1987 through 1989, when Academy admits it had notice of Leisure Time's film, it

still took no action to prevent Leisure Time from moving forward with production (at millions of dollars of expense to the company) and entering into distribution agreements worldwide (Declaration of Daniel Unger, JA at 460; Deposition of Albert Heit, JA at 662-712); and

- by October, 1990, *Return* had been released in 40 countries outside North America without any challenges to the title.

The Court of Appeals' conclusion that there were factual questions on the issue of laches should have, in and of itself, led it to reverse the district court. But, reversing the burden on a Rule 56 motion, the Court of Appeals instead held that these very factual questions concerning laches made appropriate the district court's grant of summary judgment because Leisure Time could not demonstrate "as a matter of law" that Academy's laches would have precluded its claim. (*Tri-Star*, 17 F.3d at 44-45).

This holding turns the letter, purpose, and application of Rule 56 on its head. The existence of factual questions as to whether Academy's laches would have prevented it from enjoining Tri-Star from releasing *Return* should have led the Court of Appeals to reverse, not affirm. Leisure Time did not, and should not, have the burden on summary judgment of proving conclusively that no injunction could issue. *See Celotex Corp.*, 477 U.S. at 323.

Rather a proper application of the summary judgment standard would have placed the burden on Tri-Star, the party seeking summary judgment, to show that Academy was so sufficiently likely to obtain an

injunction that its claim materially threatened Tri-Star, thus justifying termination of the Distribution Agreement. The Court of Appeals' own ruling that there are factual questions concerning Academy's laches makes it impossible for Tri-Star to meet its burden as the moving party, and requires that the Court of Appeals' decision be reviewed by this Court and reversed.

B. The Decision Below Eviscerates Leisure Time's Licensing Argument By Misapplying Existing Precedent And Effectively Creating An Irrebuttable Presumption Of Corporate Separateness

Wholly apart from the question of laches, the Second Circuit should have denied summary judgment because Columbia—which the Court of Appeals found to be Tri-Star's "sister company"—in fact owned the trademark to *Bridge*. (Indeed, in or about September 1989, Sony bought both corporations.) As a result, Tri-Star—which the Court of Appeals also acknowledged was under a good-faith obligation pursuant to both the distribution agreement and California law to do what was reasonably within its power to ensure that the terms of the Distribution Agreement were realized (*Tri-Star*, 17 F.3d at 45)—could have caused its sister company to license to Leisure Time whatever rights were needed in the *Bridge* title to permit *Return's* distribution free from any claim of supposed trademark infringement.

Instead, and despite agreeing with Leisure Time's position that Columbia "owns the rights to *Bridge*" *(Id.)*, the Court of Appeals held, as a matter of law,

that Tri-Star was in no position to cause a license to be issued supposedly because Tri-Star and Columbia are entitled to a presumption of corporate separateness. *(Id.)* (citing *Mellon Bank, N.A. v. Metro Communications, Inc.*, 945 F.2d 635, 643 (3d Cir. 1991), *cert. denied*, 112 S.Ct. 1476 (1992), and *Crown Cent. Petroleum Corp. v. Cosmopolitan Shipping Co.*, 602 F.2d 474, 476 [2d Cir. 1979]).

But neither *Mellon Bank* nor *Crown* holds that the presumption of corporate separateness is *irrebuttable;* to the contrary, in *Mellon Bank* the issue of corporate separateness was addressed only after a two-day bench trial *(Mellon Bank*, 945 F.2d at 639) and *Crown* acknowledges that there can be facts that "overcome the presumption of separateness" *(Crown*, 602 F.2d at 476, also decided after a bench trial).

That is hardly surprising, because the issue of corporate separateness is generally a factual question, and "while there is a 'presumption of separateness,' there is also a presumption against summary judgment" in deciding that question. *David v. Glemby Co.*, 717 F.Supp. 162, 166 (S.D.N.Y. 1989) (Walker, J.). Equally important—but ignored by the Court of Appeals in its decision—is that the burden is on Tri-Star (as the movant) on this motion for summary judgment to establish that there are no factual questions related to corporate separateness; Leisure Time should not, under a proper application of Rule 56, be saddled with the obligation of *proving*, on this motion, that Tri-Star and Columbia were not truly separate with respect to their actions in this matter. Leisure Time's burden is to show only that there are genuine disputed issues, and it has more than met

that burden on even the incomplete record that existed below as to whether Tri-Star and Columbia are entitled to the presumption of separateness here.

For example, Columbia and Tri-Star took pains to assert below that Columbia had remained neutral in the title dispute. (*See* Columbia's brief on its summary judgment motion before the district court, at 3, 28-30, 32; *see also* Tri-Star's brief on appeal to the Second Circuit, at 12.) This admission is itself sufficient to raise a disputed question concerning the corporate separateness of Columbia and Tri-Star, because if these companies were truly separate then there would be no conflict (and no need for Columbia to remain neutral on the title dispute) between Columbia's interest in protecting its supposed trademark rights in *Bridge* and Tri-Star's good-faith obligation to take whatever reasonable steps were necessary to ensure *Return's* release pursuant to the distribution agreement.[8]

But that is not all. The only record testimony that Columbia offers to undergird its assertion of separateness—that the two companies maintain separate film libraries and that the companies are "independently managed"—is contradicted or undermined by Columbia's or Tri-Star's own previous admissions. In its 1987 proxy statement soliciting approval of the Columbia acquisition (the very SEC filing Tri-Star cited in its appellate brief in support of its separateness argument), Tri-Star recommended

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8 Tellingly, Academy's lawyer wrote to Columbia on November 17, 1988: "We are constrained to remind you of Columbia's conflict of interest that may affect its objectivity in this situation." (Letter from Albert Heit to Ronald Jacobi, JA at 742).

the deal to its shareholders because, among other reasons, the "addition [of Columbia's] assets, *including its theatrical and television library* [which included *Bridge*], will result in a significantly increased catalog of filmed entertainment product." (Emphasis added.) Likewise, the deposition testimony upon which Tri-Star relies for the proposition that it and Columbia are "independently managed" is undermined by testimony in the same deposition that the two companies are operated *"reasonably autonomously and separately"* and that they "were not *necessarily* aware of each other's operations." (Deposition of Ronald Jacobi, JA at 850) (Emphasis added.) In addition, since September 1989, both companies and both film libraries have had *one owner*, Sony.

At the end of the day, a complete record compiled at trial may or may not show that Columbia and Tri-Star are truly separate corporate entities entitled to the presumption accorded by law. But it certainly cannot be said on the current record that, as a matter of law, these are two corporations that were acting separately with respect to the distribution of *Return*. Indeed, Tri-Star's and Columbia's own admissions and conduct in this case prevent that conclusion, and require reversal of the district court's grant of summary judgment. This is especially so given that Tri-Star's good faith is directly in issue, as addressed below. *See Crown*, 602 F.2d at 476 (presumption will be eroded by evidence of "fraud or lack of good faith").[9]

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[9] To further buttress its conclusion, the Court of Appeals added that, in any event, "we do not believe that [Columbia] has an unrestricted right to grant a license in derogation of Academy's inter-

C. The Decision Below Ignored Critical Admissions By Tri-Star In Determining That It Was Acting In Good Faith

Finally, the Court of Appeals ignored the significant factual questions concerning Tri-Star's good faith in seeking to terminate the contract. This error was critical since it has long been held that summary judgment is especially ill-suited to resolving disputed questions related to motive or intent. *U.S. v. Certain Funds on Deposit in Scudder Tax Free Investment Account*, 998 F.2d 129, 131 (2d Cir. 1993).

Much of Tri-Star's argument, reduced to its implicit or expressed theme, is that Leisure Time is nothing more than a "free rider" hoping to cash in on the success of *Bridge*. Not only is this untrue (the *Return* title is based on a commercially successful

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est." (*Tri-Star*, 17 F.3d at 45) (citing *Courtner v. Israel*, 732 F.2d 267, 272 (2d Cir. 1984) and *Van Valkenburgh, Nooger & Neville, Inc. v. Hayden Publishing Co.*, 330 N.Y.S.2d 329, 334 (N.Y.), *cert. denied*, 409 U.S. 875 (1972)). Those cases hold that where a license is granted for a derivative work that supplants the original, the holder of a royalty interest in the original may sue the licensor for breach of its good faith contract obligation owed to the royalty holder. But Leisure Time, of course, has never argued that its film should supplant *Bridge* on the big screen or in video stores. Under these circumstances, there could be no violation of the good faith obligations Columbia owes to Academy. *See Van Valkenburgh*, 330 N.Y.S.2d at 333-34 (book publisher and owner of legal rights therein may publish other books on same subject "even though those later publications ... may incidentally lessen an author's royalties" in the original work).

book of the same name and Leisure Time seeks only to release here in North America a film that has already been released under the same title throughout the rest of the world), but it ill-behooves Tri-Star to make such accusations of bad faith.

In the first place, Tri-Star specifically contracted in 1986 for the right to distribute a film with the *Return* title, knowing full well that there had been a release in 1957 of a successful film entitled "The Bridge on the River Kwai"; it knew that the *Return* title was based on a book by the same name, and that Leisure Time had First Amendment rights in using that title; and it knew in November 1988 that Leisure Time was willing to add a disclaimer disassociating its film from *Bridge*. Tri-Star in fact urged Academy to accept Leisure Time's offer of a disclaimer because, in Tri-Star's view, it was "highly unlikely that anything more could be achieved in court." (Letter from Ronald Jacobi to Albert Heit, JA at 738-39).[10]

Thus, as of November 1988, Tri-Star obviously did not believe that any harm would befall it from releasing *Return*. Tri-Star's stunning about-face the following month when it initiated this case—while under pressure from its sister company Columbia to use its "good offices to change the title"—in and of

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10 Indeed, in an effort to satisfy Tri-Star, in October 1988 Leisure Time even agreed to change the title of its film to "March from the River Kwai." When this was rejected Leisure Time subsequently agreed to change the title to "Return from the River Kwae Noi." This proposal was, once again, ultimately rejected.

itself raises questions of good faith and should have prevented summary judgment.

But there is more to suggest that Tri-Star may have used Academy's claim as a pretext not to distribute the film. By December 1988, negotiations between Tri-Star/Columbia and Sony had started (which culminated in the acquisition of Tri-Star by Sony a year before summary judgment was granted in this action). *Return*, which is a World War II film showing atrocities committed by the Japanese against allied prisoners of war, would have had to be released in the middle of the negotiations, which could have been embarrassing.

Whether it was to satisfy Columbia's (or Sony's) need to placate the Spiegel interests, or whether it was for some other reason, such as the subject matter, it cannot yet be said for certain what motivated Tri-Star in terminating the distribution agreement. After all, at the time summary judgment was granted, *Return* had already been released in 40 countries outside North America but through distributors not affiliated with Tri-Star, or Columbia, or Sony, without any challenges to the title. But it is clear that there are sufficient facts on the limited record here that call into question whether Tri-Star was motivated by good faith in making that decision—factual issues ignored by the Court of Appeals in its decision—and those factual issues should have prevented entry of summary judgment.

For those additional reasons, we respectfully submit that this Court should exercise its supervisory powers, instruct the Second Circuit of its inappropriate application of summary judgment standards,

and reverse and remand this case for trial on the merits.

III.

CONCLUSION

The materiality and good faith obligations inherent in a distribution agreement are the principal protections afforded producers of, and investors in, motion pictures to ensure that the distributor will follow through on its obligations to provide for the film's release and thereby protect their investment. Leisure Time respectfully submits that numerous factual questions exist here as to the materiality of Academy's claim and whether Tri-Star acted in good faith in seeking to terminate its distribution agreement with Leisure Time. For those reasons we urge that Leisure Time's petition for certiorari should be granted and the Court of Appeals' affirmation of the district court's grant of summary judgment should be reversed.

Respectfully submitted,

RIVKIN, RADLER & KREMER
Attorneys for Petitioner

By: Steven Brock
Counsel of Record

Gary Centola
James W. Weller
EAB Plaza
Uniondale, New York 11556
(516) 357-3000

APPENDIX A

RULE 56
OF
THE FEDERAL RULES OF CIVIL PROCEDURE

Rule 56. Summary Judgment

(a) for Claimant. A party seeking to recover upon a claim, counterclaim, or cross-claim or to obtain a declaratory judgment may, at any time after the expiration of 20 days from the commencement of the action or after service of a motion for summary judgment by the adverse party, move with or without supporting affidavits for a summary judgment in the party's favor upon all or any part thereof.

(b) For Defending Party. A party against whom a claim, counterclaim, or cross-claim is asserted or a declaratory judgment is sought may, at any time, move with or without supporting affidavits for a summary judgment in the party's favor as to all or any part thereof.

(c) Motion and Proceedings Thereon. The motion shall be served at least 10 days before the time fixed for the hearing. The adverse party prior to the day of hearing may serve opposing affidavits. The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. A summary judgment, interlocutory in character, may be rendered on the issue of liability alone although there is a genuine issue as to the amount of damages.

(d) Case Not Fully Adjudicated on Motion. If on motion under this rule judgment is not rendered upon the whole case or for all the relief asked and a trial is necessary, the court at the hearing of the motion, by examining the pleadings and the evidence before it and by interrogating counsel, shall if practicable ascertain what material facts exist without substantial controversy and what material facts are actually and in good faith controverted. It shall thereupon make an order specifying the facts that appear without substantial controversy, including the extent to which the amount of damages or other relief is not in controversy, and directing such further proceedings in the action as are just. Upon the trial of the action the facts so specified shall be deemed established, and the trial shall be conducted accordingly.

(e) Form of Affidavits; Further Testimony; Defense Required. Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated therein. Sworn or certified copies of all papers or parts thereof referred to in an affidavit shall be attached thereto or served therewith. The court may permit affidavits to be supplemented or opposed by depositions, answers to interrogatories, or further affidavits. When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial. If the adverse party does not so

respond, summary judgment, if appropriate, shall be entered against the adverse party.

(f) When Affidavits are Unavailable. Should it appear from the affidavits of a party opposing the motion that the party cannot for reasons stated present by affidavit facts essential to justify the party's opposition, the court may refuse the application for judgment or may order a continuance to permit affidavits to be obtained or depositions to be taken or discovery to be had or may make such other order as is just.

(g) Affidavits Made in Bad Faith. Should it appear to the satisfaction of the court at any time that any of the affidavits presented pursuant to this rule are presented in bad faith or solely for the purpose of delay, the court shall forthwith order the party employing them to pay to the other party the amount of the reasonable expenses which the filing of the affidavits caused the other party to incur, including reasonable attorney's fees, and any offending party or attorney may be adjudged guilty of contempt.

(As amended Dec. 27, 1946, eff. Mar. 19, 1948; Jan. 21, 1963, eff. July 1, 1963; Mar. 2, 1987, eff. Aug. 1, 1987.)

APPENDIX B

OPINION AND ORDER (EDELSTEIN, D.J.) OF THE UNITED STATES DISTRICT COURT, S.D.N.Y. DATED OCTOBER 15, 1990

TRI-STAR PICTURES, INC.,

Plaintiff,

v.

LEISURE TIME PRODUCTIONS, B.V.,

Defendant and Third Party Plaintiff,

v.

COLUMBIA PICTURES INDUSTRIES, INC., Columbia Pictures Entertainment, Inc., Horizon Pictures G.B., Academy Pictures A.G. and David Bottoms, and Hon. Raya S. Dreben as Executors of the Estate of Samuel Spiegel,

Third Party Defendants.

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88 Civ. 9127 (DNE).
United States District Court,
S.D. New York.
Oct. 15, 1990.

OPINION AND ORDER

EDELSTEIN, District Judge:

Tri-Star Pictures, Inc. ("Tri-Star") brought this declaratory judgment action to resolve a contract dispute between Tri-Star and Leisure Time Productions, B.V. ("Leisure Time") involving the planned release of a motion picture entitled "Return From The River Kwai." Tri-Star also brought a second declaratory judgment action, 88 Civ. 9129 (DNE), which seeks to establish the rights of all the parties involved in the controversy surrounding the planned release of "Return From The River Kwai." The pending motions in both actions will be considered here.

On July 23, 1986, Tri-Star entered into an agreement with Leisure Time to distribute the movie "Return From The River Kwai" in the United States and Canada. Academy Pictures A.G. ("Academy") has alleged trademark rights to the movie "Bridge On The River Kwai" and asserts that the title "Return From The River Kwai" infringes the trademark in the title of its movie. Tri-Star is in the middle of this dispute. If Tri-Star refuses to release "Return From The River Kwai," it will be sued by Leisure Time for breach of contract. It Tri-Star releases the movie, it will be sued by Academy for trademark infringement.

Tri-Star has moved for summary judgment on its claim that Leisure Time breached an express warranty in the 1986 agreement which provided that the film would be delivered to Tri-Star free of all claims against it. Leisure Time has cross-moved for summary judgment claiming that no such warranty ex-

ists and, in the alternative, that the warranty was not breached because Academy does not have a valid trademark infringement claim and did not comply with the provisions of the contract relating to such a breach. Leisure Time has moved for summary judgment on Academy's trademark infringement claim. Leisure Time has also moved for summary judgment on its counter-claims against Tri-Star and cross-claims against Columbia Pictures, Inc. and Columbia Pictures Entertainment, Inc. ("Columbia") and Academy for tortious interference of contract based on the false assertion of Academy's trademark claim.

For the reasons stated below, Tri-Star's motion for summary judgment against Leisure Time is granted. Accordingly, Leisure Time's cross motion for summary judgment is denied. Leisure Time's motion for summary judgment on Academy's trademark infringement claim is denied. Leisure Time's motion for summary judgment on its counterclaims against Tri-Star and cross-claims against Columbia and Academy for tortious interference of contract is also denied.

I. BACKGROUND

There are two series of events relevant to this dispute. The first involves the release of the movie "Bridge On The River Kwai." The second involves the planned release of the movie "Return From The River Kwai."

"Bridge On The River Kwai" was produced in 1956 by Sam Spiegel. The corporate vehicles through which Mr. Spiegel produced "Bridge On The River Kwai" were Horizon-American pictures, Inc. and

Horizon G.B. Ltd. ("Horizon"). Columbia was the distributor.

On April 18, 1956, Albatross Trust, the predecessor of Academy, entered into an agreement ("the 1956 royalty agreement") with Horizon in which Albatross Trust obtained a 25% royalty interest in revenues for the motion picture "Bridge on the River Kwai" in the Western Hemisphere, excluding the United States and Canada. "Bridge On The River Kwai" was released in 1957 and has since been viewed by millions of people in the United States and abroad.

On January 5, 1959, Columbia entered into an agreement ("the January 5, 1959 agreement") with Horizon in which Columbia obtained the rights to "Bridge On The River Kwai" subject to the already existing rights of Albatross Trust created by the 1956 royalty agreement. On February 2, 1959, Columbia reached a separate agreement ("the February 2, 1959 agreement") with Albatross Trust to settle existing claims for overdue royalties. The new agreement included (1) a change in Albatross Trust's royalty rate; (2) the right for Albatross Trust to receive royalties on United States and Canadian revenues generated by "Bridge on the River Kwai" and (3) a change in the method of computation of Albatross Trust's share of the net proceeds in "Bridge on the River Kwai."

Almost twenty years later, in 1978, Leisure Time registered the title "Return From The River Kwai" with the Motion Picture Association of America ("MPAA") pursuant to a set of MPAA rules which requires its members to register the prospective titles

of movies they plan to release. When a prospective title for a movie is filed, the MPAA is then charged with the duty of notifying interested members of the MPAA of the prospective title. Under the MPAA's rules, any member of the MPAA with a complaint then has seven days to protest the title. Leisure Time registered "Return From The River Kwai," but Columbia's protest to the title was not received by the MPAA until after the seven day time limit and was therefore not considered.

In July, 1986, Tri-Star and Leisure Time entered into an agreement ("the 1986 distribution agreement") whereby Leisure Time granted Tri-Star exclusive distribution rights for the movie "Return From The River Kwai" in the United States and Canada. Unbeknownst to Tri-Star, before the 1986 agreement, a dispute had arisen regarding the title "Return From the River Kwai." Academy and Columbia had communicated to Leisure Time their position that as a result of the widespread exposure received by the motion picture "Bridge On The River Kwai," the title and the geographic term "River Kwai" had attained secondary meaning and were therefore entitled to trademark protection.

On December 17, 1987, after the execution of the 1986 agreement, Tri-Star and Columbia Pictures merged and became "sister" companies as wholly owned subsidiaries of Columbia Pictures Entertainment, Inc.. Since that time, Columbia has not asserted any of the trademark claims it believes it has against "Return From The River Kwai."

Upon learning of the title dispute, Tri-Star requested that Leisure Time change the name of

"Return From The River Kwai" to avoid potential liability. In early November 1988, Leisure Time offered to change the title to "March From The River Kwai" and to add a disclaimer disassociating the motion picture from "Bridge On The River Kwai." This offer was not acceptable to Academy. By a letter dated November 17, 1988, Academy advised Tri-Star that any use of the name "River Kwai" would be met with a lawsuit to protect Academy's rights in the title.

On December 5, 1988, Tri-Star wrote Leisure Time notifying them of Academy's trademark infringement claim. In the letter, Tri-Star stated that because of Academy's claim, Tri-Star considered Leisure Time in breach of its warranty to deliver the movie free from claims against it and therefore considered itself free to terminate the agreement. In response, Leisure Time threatened to sue for breach of contract if Tri-Star terminated the agreement.

On December 27, 1988, Tri-Star then filed the instant declaratory judgment action, 88 Civ. 9127 (DNE), and the companion declaratory judgment action, 88 Civ. 9129 (DNE). Tri-Star moved for summary judgment in the first action claiming that Leisure Time had breached its warranty in the 1986 distribution agreement that the movie "Return From The River Kwai" would be delivered free of all claims against it. Leisure Time cross-moved for summary judgment against Tri-Star, but also (1) moved for summary judgment on its claims for tortious interference of contract against Columbia and Academy, and (2) moved for summary judgment on Academy's trademark infringement claim. Columbia moved pursuant to Federal Rule of Civil

Procedure 11 ("Rule 11") for the imposition of sanctions on Leisure Time for Leisure Time's motion for summary judgment on its claim against Columbia for tortious interference of contract. Academy also moved pursuant to Rule 11 for the imposition of sanctions on Leisure Time for both Leisure Time's motion for summary judgment on its claim against Academy for tortious interference of contract and Leisure Time's motion for summary judgment on Academy's claim for trademark infringement. After this Court held a hearing on the Rule 11 motions, the parties were able to settle the issue of sanctions.

II. DISCUSSION

A party moving for summary judgment must establish "that there is no genuine issue as to any material fact" and that it "is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(c). The moving party has the initial burden of establishing the absence of a genuine issue of material fact. *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 157, 90 S.Ct. 1598, 1608, 26 L.Ed.2d 142 (1970). The non-moving party then has the burden of coming forward with specific facts showing that there is a genuine issue for trial. Fed.R.Civ.P. 56(e). In meeting this burden, the non-moving party may not rely on speculation and conjecture as to the true nature of the facts. *Knight v. U.S. Fire Insurance Co.*, 804 F.2d 9, 12 (2d Cir. 1985), *cert. denied*, 480 U.S. 932, 107 S.Ct. 1570, 94 L.Ed.2d 762 (1987). To avoid summary judgment, there must be enough evidence in favor of the non-moving party's case for a rational trier of fact to return a verdict in the non-moving party's favor. *National Union Fire Ins. Co. v. Walton Ins. Ltd.*, 696 F.Supp. 897, 900 (S.D.N.Y. 1988).

The material facts which need to be examined in order to determine whether summary judgment is appropriate with respect to Tri-Star and Leisure Time's cross-motions for summary judgment are: (1) whether there was a warranty that protected against the assertion of trademark infringement claims; (2) whether there was a breach of such a warranty; and (3) whether the parties complied with the provisions of the contract relating to such a breach. As discussed below, Tri-Star has established that there are no genuine issues of material fact and that it is entitled to judgment as a matter of law. Tri-Star has shown that there was a warranty protecting against the assertion of trademark infringement claims, that the warranty was breached, and that Tri-Star complied with the provisions of the contract relating to such a breach. Leisure Time has relied solely on speculation and conjecture to contest Tri-Star's claims and has not produced sufficient evidence for a rational trier of fact to return a verdict in its favor.

With respect to Leisure Time's motion for summary judgment on Academy's trademark infringement claim, a number of genuine issues of material fact exist regarding whether "Bridge On The River Kwai" has attained secondary meaning and whether the title "Return From The River Kwai" is confusingly similar. Leisure Time's motion for summary judgment on Academy's trademark infringement claim is therefore denied. As for Leisure Time's tortious interference of contract claims against Columbia and Academy, since Tri-Star has not breached its contract with Leisure Time, Leisure Time cannot state a claim for tortious interference of contract as a matter of law. Accordingly, Leisure Time's motion

for summary judgment on its claims for tortious interference of contract is denied.

A. Warranty

The 1956 distribution agreement consists of a "Term Sheet" and a rider including "Exhibits." Tri-Star asserts that Leisure Time represented and warranted under ¶ 9(a)(2) of Exhibit "A" to the 1986 Agreement ("¶ 9(a)(2) of Exhibit "A") that "Return from the River Kwai" would be provided for distribution free from "claims, liens, encumbrances or rights of any nature ... which can or will impair or interfere" with Tri-Star's distribution of the film.[1] Paragraph 9(a)(2) of Exhibit "A" further warrants that the film will not "infringe upon the trademark" of another party. According to Tri-Star, ¶ 9(a)(2) of Exhibit "A" extends not only to claims which have already impaired or interfered with Tri-Star rights, but also to claims which prospectively could impair or interfere with Tri-Star's rights. Tri-Star maintains that Academy's claim that the title "Return From

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1 Paragraph 9(a)(2) of Exhibit "A" provides:

> "There are, and will be, no claims, liens, encumbrances or rights of any nature in or to the picture or any part thereof which can or will impair or interfere with the rights of Tri-Star hereunder; and the picture and each and every part thereof, including the sound and music synchronized therewith, and the exercise by Tri-Star of any right hereunder with respect thereto, will not violate or infringe upon the trademark, trade name, copyright, patent, literary, dramatic, music, artistic, personal, civil or property rights of any party, or constitute a violation of any law or administrative rule or regulation."

The River Kwai" infringes its trademark rights in the title "Bridge On The River Kwai" constitutes a breach of Leisure Time's warranty in ¶ 9(a)(2) of Exhibit "A."

In response, Leisure Time contends that the distribution agreement does not provide for ¶ 9(a)(2) of Exhibit "A" to be the governing representation and warranty paragraph. Rather, Leisure Time contends that ¶ 12 of the Term Sheet of the 1986 distribution agreement ("¶ 12 of the Term Sheet") provides Leisure Time's representations and warranties and that they are different from those contained in ¶ 9(a)(2) of Exhibit "A." Under ¶ 12 of the Term Sheet, Leisure Time warrants that it owns and controls the rights being granted under the agreement and that "all such rights are hereby granted ... free and clear of all liens, claims and encumbrances."[2] According to Leisure Time, the rights granted to Tri-Star to which the warranty in ¶ 12 of the Term Sheet applies are set forth in ¶ 2 of the Term Sheet and do not include any rights with respect to the movie's title. [3] Unlike

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2 Paragraph 12 of the Term Sheet provides:

> "Producer represents and warrants that it has the right and authority to enter into this Agreement, that it owns and controls all the rights granted and agreed to be granted to [Tri-Star] and that all such rights are hereby granted to [Tri-Star] free and clear of all liens, claims and encumbrances."

3 Paragraph 2 of the Term Sheet provides in relevant part:

> "Producer hereby grants to [Tri-Star] the sole and exclusive theatrical and non-theatrical rights

the prospective warranties included in ¶ 9(a)(2) of Exhibit "A," Leisure Time argues that ¶ 12 of the Term Sheet warrants only that the rights granted at the time the contract was executed are free and clear of all liens, claims, and encumbrances.

Because of the differences between ¶ 12 of the Term Sheet and ¶ 9(a)(2) of Exhibit "A," Leisure Time argues that the two provisions are inconsistent. In the event of an inconsistency between the Term Sheet and the Exhibits, ¶ 13 of the Term Sheet states that the provisions in the Term Sheet will prevail over the provisions in the Exhibits.[4] Leisure Time therefore argues that ¶ 12 of the Term Sheet contains the controlling warranties. In the alternative, Leisure Time argues that the differences between the two

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in and to the picture (including without limitation the right to advertise and publicize the Picture in any and all media) in perpetuity ... 'Nontheatrical' includes, without limitation, distribution of the Picture to aircraft and ships at sea flying the flag of or customarily serviced from the Territory, hotels, motels, etc. ... [Tri-Star] shall have the right to cut and edit the Picture (i) for censorship requirements or to avoid legal liability; and/or (ii) if [Tri-Star] accepts delivery of the Picture ... "

4 Paragraph 13 of the Term Sheet provides in relevant part:

"[T]he balance of the terms and conditions applicable hereto ... shall be in accordance with [Tri-Star's] standard terms attached hereto as Exhibits 'A' and 'B' ... In the event of any inconsistency between this Agreement and said Exhibits, the terms of this Agreement shall prevail."

paragraphs render the contract inherently ambiguous and therefore presents a genuine issue of material fact.

When the terms of a contract are clear and unambiguous, the court will not look beyond the "four corners" of the document to discern what the parties meant. *Bellefonte Re Ins. Co. v. Argonaut Insurance Co.*, 581 S.Supp. 241, 243 (S.D.N.Y. 1984); *United States v. Wallace & Wallace Fuel Oil Co., Inc.*, 540 F.Supp. 419, 426 (S.D.N.Y. 1982). A court will only consider parol evidence when interpreting a contract if a party establishes that one or more of the relevant terms of the contract is ambiguous. *Eskimo Pie Corp. v. White Lawn Dairies, Inc.*, 284 F.Supp. 987, 993 (S.D.N.Y. 1968). The question of whether an ambiguity exists is a question of law to be decided by the court. *Tokio Marine & Fire Ins. v. McDonnell Douglas Corp.*, 617 F.2d 936, 940 (2d Cir. 1980). A term is considered ambiguous when it is capable of more than one meaning when viewed by "a reasonably intelligent person." *Eskimo Pie Corp., supra*, 284 F. Supp. at 993. In the event that a party cannot establish such an ambiguity, interpretation of the contract is a question of law appropriate for summary judgment and therefore no trial is necessary to determine the contract's legal effect. *Leslie Fay, Inc., v. Rich*, 478 F.Supp. 1109, 1113-14 (S.D.N.Y. 1979).

[1] The issue presented to this Court is whether ¶ 9(a)(2) of Exhibit "A" and ¶ 12 of the Term Sheet are inconsistent. There are no ambiguous terms that need to be interpreted. Rather, the question of whether ¶ 9(a)(2) of Exhibit "A" and ¶ 12 of the Term Sheet are inconsistent can be resolved by examining the plain language of the two warranty paragraphs.

As a result, this issue of interpretation presents a question of law, not of fact, and does not require a trial.

Leisure Time's argument that ¶ 9(a)(2) and ¶ 12 are inconsistent is unavailing. Paragraph 9(a)(2) of Exhibit "A" and ¶ 12 of the Term Sheet are consistent because the warranties in ¶ 9(a)(2) of Exhibit "A" add to the warranties in ¶ 12 of the Term Sheet. Under ¶ 12 of the Term Sheet, Leisure Time guaranties that it is giving Tri-Star complete ownership and control of "Return From The River Kwai." Paragraph 9(a)(2) of Exhibit "A" adds to this warranty of ownership and control by guarantying both that the ownership and control will not be impaired by the claims, liens, encumbrances or rights of third parties and that the ownership and control will not be impaired by violations of law or administrative rule. Moreover, whereas ¶ 12 of the Term Sheet guaranties Leisure Time's ownership and control as of the date the contract was executed, ¶ 9(a)(2) of Exhibit "A" guaranties not only that Leisure Time's ownership and control will not be encumbered by third party claims or violations of law existing as of the date the contract was executed, but also guaranties that such ownership and control will not be encumbered by any future claims or violations of law.

In sum, ¶ 9(a)(2) of Exhibit "A" and ¶ 12 of the Term Sheet are consistent. Leisure Time is therefore bound by the warranties in both paragraphs. Paragraph 9(a)(2) of Exhibit "A" warrants against any claims that might impair Tri-Star's rights and specifically lists third party trademark claims. The next issue that must be determined is whether Academy's trademark infringement claim impairs Tri-Star's

rights and therefore constitutes a breach of Leisure Time's warranty in ¶ 9(a)(2) of Exhibit "A."

B. Breach of Warranty

Tri-Star contends that Leisure Time breached its warranty in ¶ 9(a)(2) of Exhibit "A" because Academy's trademark infringement claim, if successful, could impair Tri-Star's rights by enjoining the release of the film under its present title and by subjecting Tri-Star to substantial money damages. Leisure Time asserts that the warranty in ¶ 9(a)(2) of Exhibit "A" has not been breached because Academy does not have a valid trademark infringement claim. Leisure Time has offered a number of arguments to support this assertion: (1) Academy does not have a sufficient interest in "Bridge On The River Kwai" to bring a trademark infringement claim; (2) Academy, through its predecessor Albatross Trust, agreed not to sue Columbia or its affiliates; (3) Academy's claim is barred by the rules of the MPAA; and (4) Leisure Time is entitled to summary judgment on Academy's trademark infringement claim. Each of these arguments will be examined in turn.

1. Academy's interest in "Bridge On The River Kwai."

[2, 3] Leisure Time asserts that Academy does not have a sufficient interest in "Bridge On The River Kwai" to bring a trademark infringement claim. Leisure Time makes two arguments to support this assertion: (1) the contract conferring Academy rights to "Bridge On The River Kwai" in Canada and the United States lacked consideration; and (2) Academy's royalty interest in the movie is insufficient to confer Lanham Act standing.

Leisure Time argues that the February 2, 1959 agreement between Columbia and Albatross Trust was unsupported by consideration. As discussed earlier, Academy, through its predecessor Albatross Trust, obtained a 25% royalty interest to "Bridge On The River Kwai" from Horizon in the 1956 royalty agreement. Columbia obtained rights to the movie from Horizon in the January 5, 1959 agreement subject to Albatross Trust's royalty interest created in the 1956 royalty agreement. In the February 2, 1959 agreement, Columbia agreed with Albatross Trust to expand Albatross Trust's rights to receive royalties from the United States and Canada in order to settle its existing claims for overdue royalties. Albatross Trust, now Academy, has been receiving royalties on revenues in the United States under this contract for the past 31 years.

A contract is supported by consideration if there is a bargained for exchange of promises. *Banque Arabe et Int'l D'Investissement v. Bulk Oil, Inc.*, 726 F.Supp. 1411, 1419 (S.D.N.Y. 1989). A promise is bargained for "if it is sought by the promisor in exchange for his promise and is given by the promisee in exchange for that promise." Restatement (Second) of Contracts § 71 (1979). Where parties to a contract are satisfied with their bargain, a third party "may not challenge the contract's validity on the basis of alleged insufficient consideration." *OPE Shipping, Ltd. v. Allstate Ins. Co., Inc.*, 687 F.2d 639, 643 (2d Cir.), *cert. denied*, 460 U.S. 1069, 103 S.Ct. 1523, 75 L.Ed.2d 946 (1983).

Neither Columbia or Academy has challenged the sufficiency of consideration in the February 2, 1959 agreement between them. The parties satisfaction

with the agreement is evidenced by the fact that Academy has been receiving revenues from Columbia pursuant to the agreement for the past 31 years. Leisure Time, as a third party, therefore has no legal basis to challenge the sufficiency of consideration supporting the agreement. Even if Leisure Time had standing to challenge the agreement, the agreement was clearly supported by consideration. Columbia sought to settle Albatross Trust's existing claims for royalty payments and, in order to do so, promised Albatross Trust an expanded region from which to receive royalties. In turn, Albatross Trust promised to drop its royalty claims in exchange for the expanded geographical region from which to receive royalties.

[4] Leisure Time next contends that Academy's royalty interest in "Bridge On The River Kwai" is insufficient to bring a trademark infringement claim because Columbia owns all the property rights to the film. Essentially, Leisure Time argues that Academy does not have Lanham Act standing. Academy's royalty interest in the revenues from the movie, however, is sufficient to confer standing under § 43(a) of the Lanham Act.

Any "commercial party" which "has a reasonable interest to be protected" has standing under § 43(a) of the Lanham Act. *Nat'l Assoc. of Pharmaceutical Mfr. c. Ayerst Laboratories*, 850 F.2d 904, 915 (2d Cir. 1988). More specifically, a royalty interest, stripped of all other property rights, is sufficient to confer standing under § 43(a) of the Lanham. *PPX Enterprises v. Audiofidelity, Inc.*, 746 F.2d 120, 125 (2d Cir. 1984). Academy's royalty interest in "Bridge On The River Kwai" was created through its predecessor Albatross

Trust in the 1956 royalty agreement with Horizon and expanded in the February 2, 1959 agreement with Columbia. Academy therefore has a royalty interest in "Bridge On The River Kwai;" this interest is sufficient to give Academy standing under § 43(a) of the Lanham Act.

2. Albatross Trust's Agreement Not To Sue Columbia

[5] Paragraphs 15 and 16 of the February 2, 1959 agreement between Albatross Trust and Columbia contain Albatross Trust's covenants not to sue Columbia or its affiliates for certain claims. Under ¶ 15, Albatross Trust agreed that it would not sue Columbia or its affiliates for any claims arising out of Columbia's distribution of "Bridge On The River Kwai" in the Western Hemisphere other than for claims arising out of its rights under the contract.[5] Under ¶ 16, Albatross Trust promised it would not

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5 Paragraph 15 provides:

> "You agree that you do not have and shall not have ground or right to challenge our due performance of all of our obligations relating to the distribution and exploitation of the Picture in the Western Hemisphere ... you hereby generally release and discharge us, our successors and assigns, of and from all manners of actions, causes of actions, suits, liabilities, claims and demands whatever, in law or in equity, which you have, can or may hereafter have by reason of any contract, matter, cause or thing whatsoever, based upon or related to or in connection with the distribution thereof in the Western Hemisphere ... there being excluded from the foregoing only our obligations and your rights under the terms of this agreement."

sue Columbia or its affiliates asserting a claim to "Bridge On The River Kwai" other than a claim based on its royalty interest.[6] Leisure Time argues that Academy, through Albatross Trust, agreed in ¶¶ 15 and 16 of the February 2, 1959 agreement not to sue Columbia or any of its affiliates, including Tri-Star, for any claims relating to "Bridge On The River Kwai." Leisure Time's proposed interpretation, however, is too broad.

Essentially, Albatross Trust agreed not to sue Columbia or its affiliates for any claims arising from its distribution of the movie "Bridge On The River Kwai" or for any claims to the movie except for claims arising from its royalty interest under the contract. Academy, however, is not suing here on a claim arising out of the distribution of "Bridge On The River Kwai," nor is Academy asserting a claim to the movie. Rather, Academy is suing to prevent the distribution of another movie with a title confusingly similar to "Bridge On The River Kwai." Academy has brought this lawsuit to protect its

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6 Paragraph 16 provides:

> "You agree that you will forever refrain from instituting any action or proceeding of any kind or any nature against us, or our subsidiaries or affiliates ... asserting or based upon a claim of any nature or any right or interest in the Picture for the western hemisphere or the proceeds, heretofore or hereafter derived therefrom, or from any rights therein for the western hemisphere ... there being excluded from the foregoing, however, only such right as you may hereafter have with respect to the sums payable to you under the terms of this agreement."

royalty interest. Academy's trademark infringement claim is therefore excepted from both ¶¶ 15 and 16 because it is a claim arising from its right to receive royalties under the February 2, 1959 agreement. Thus, Academy is not precluded from bringing its trademark infringement claim against Tri-Star, Columbia's affiliate since 1987.

[6] Furthermore, nothing in the covenants prevent Academy from suing Leisure Time. The covenants in ¶¶ 15 and 16 run to Columbia and its subsidiaries and affiliates, and do not apply to any third parties. Therefore, even if the covenants barred Academy from suing Tri-Star, they would not bar Academy from suing Leisure Time under the Lanham Act to enjoin the release of the movie "Return From The River Kwai." Such a suit by Academy against Leisure Time could clearly impair or interfere with Tri-Star's distribution rights under the 1986 distribution agreement and would therefore constitute a breach of ¶ 9(a)(2) of Exhibit "A."

3. Failure to Protest Before the MPAA

[7] As discussed earlier, Leisure Time registered the title "Return From The River Kwai" with the MPAA. Columbia filed a protest to the title with MPAA claiming that it was confusingly similar to "Bridge On The River Kwai." The protest was not considered by the MPAA, however, because it was received a day after the MPAA's seven day deadline.

Leisure Time contends that Columbia's failure to file its objection with the MPAA within the proper time frame should preclude Academy from raising a Lanham Act claim in federal court. It is doubtful, however, whether Columbia's procedural error with

the MPAA could preclude it from bringing a Lanham Act claim in federal court, let alone preclude Academy from bringing such a claim. *Cf. John Lemmon Films, Inc. v. Atlantic Releasing Corp.*, 617 F.Supp. 992, 994-95 (D.C.N.C. 1985) (plaintiff's failure to file an objection with the MPAA did not preclude its preliminary injunction action under the Lanham Act to prevent defendant's distribution of a film with a title confusingly similar to plaintiff's service mark). Academy is not a member of the MPAA, did not receive notice of the intended registration of the title "Return From The River Kwai," and had no opportunity to object to Leisure Time's registration of that title with the MPAA. Academy is therefore not barred from bringing a Lanham Act claim by Columbia's failure to file a timely protest with the MPAA.

4. Leisure Time's Motion For Summary Judgment On Academy's Trademark Infringement Claim

Leisure Time argues that it is entitled to summary judgment against Academy on Academy's trademark infringement claim. Academy contends that the movie title "Return From The River Kwai" is confusingly similar to its movie title "Bridge On The River Kwai." which has attained secondary meaning. If Leisure Time's motion were granted, Leisure Time argues that Academy would have no claim that could impair Tri-Star's rights and that Leisure Time therefore would not have breached the warranty in ¶ 9(a)(2) of Exhibit "A." Leisure Time's motion for summary judgment, however, must be denied because there are genuine issues of material fact concerning Academy's claim.

[8] Section 43(a) of the Lanham Act creates civil liability for any person who "uses a false designation of origin" or "any false description or representation" in connection with any goods or services the person places into commerce. 15 U.S.C. § 1125(a) (1982). For a film's title to be protected under § 43(a), the title must have attained some "secondary meaning." *Orion Pictures Co., Inc. v. Dell Publishing Co., Inc.*, 471 F.Supp. 392, at 395 (S.D.N.Y. 1979). Secondary meaning in a title occurs when the title is sufficiently well known that consumers associate it with a particular author's work. *Id.* Where the title of a movie or a book has acquired secondary meaning, "the holder of the rights to that title may prevent the use of the same title or a confusingly similar title by other authors." *Rogers v. Grimaldi*, 875 F.2d 994, 998 (2d Cir. 1989).

Interpreting the Lanham Act broadly to protect movie titles invokes first amendment concerns because movie titles are a form of artistic expression. *Id.* at 997-98. Nonetheless, laws such as the Lanham Act seek to foster free expression by protecting author's works. *Id.* at 998. In order to balance these concerns, when examining a Lanham Act claim involving artistic works, a court must decide "whether the public interest in avoiding consumer confusion outweighs the public interest in free expression." *Id.* at 999.

[9] In its motion for summary judgment on Academy's Lanham Act claim, Leisure Time relies exclusively on the Second Circuit's decision in *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989). Leisure Time argues that *Rogers* established a First Amendment privilege for film titles that have artistic relevance to the subject matter of the film.

Leisure Time, however, asks this Court to interpret the privilege established in *Rogers* too broadly.

In *Rogers*, Ginger Rogers, the famous star of Hollywood musicals, sued under the Lanham Act to prevent the use of the title "Ginger and Fred" for a fictional movie that obliquely related to Ginger Rogers and Fred Astaire. *Id.* at 996. Rogers claimed that the movie violated the Lanham Act because it created the false impression that the movie was either about her or sponsored by her. *Id.* at 997. The Court stated that in the specific instance of an allegedly misleading title using a celebrity's name, the balance of the public interest in avoiding consumer confusion and the public interest in free expression will normally not support application of the Lanham Act "unless the title has no artistic relevance to the underlying work whatsoever, or if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work." *Id.* at 999. In a footnote to the sentence containing this holding, the Court went on to state than this limiting construction of the Lanham Act "would not apply to misleading titles that are confusingly similar to other titles." *Id.* at 999 n. 5. The Court reasoned that "[t]he public interest in sparing consumers this type of confusion outweighs the slight public interest in permitting [the] use of such titles." *Id.*

Thus, despite Leisure Time's reliance on *Rogers*, the Court's holding in that case only applies to situations where a celebrity's name is used in a title and is therefore not applicable to Academy's claim here that the titles "Bridge On The River Kwai" and "Return From The River Kwai" are confusingly similar. Indeed, the footnote to the Court's holding in *Rogers*

specifically states that it does not apply to claims, like Academy's, of confusingly similar titles. Accordingly, Leisure Time's reliance on *Rogers* is misplaced and their motion for summary judgment on Academy's Lanham Act claim must be denied so that a complete factual record can be established to demonstrate both whether "Bridge On The River Kwai" has attained secondary meaning and whether a reasonable consumer would find the title "Bridge On The River Kwai" confusingly similar to "Return From The River Kwai."

The existence of a genuine issue of material fact in Academy's trademark infringement claim is more than sufficient to constitute a "claim" under ¶ 9(a)(2) of Exhibit "A." The existence of Academy's claim threatens to interfere with Tri-Star's rights to distribute "Return From The River Kwai." Leisure Time has therefore breached its warranty to Tri-Star under ¶ 9(a)(2) of Exhibit "A."

C. Provisions of the Contract Relating to Breach

[10] As a result of Leisure Time's breach of ¶ 9(a)(2) of Exhibit "A," Tri-Star argues that it should be allowed to terminate the 1986 distribution agreement pursuant to the provisions relating to breach in the agreement. Paragraph 7(a)(2) of Exhibit "A" to the agreement provides that an event of default includes any breach of warranty "which materially affect Tri-Star's rights."[7] Consequently, a breach of ¶ 9(a)(2) of

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7 Paragraph 7(a)(2) provides that an event of default shall include:

> "Any breach or default by Company [Leisure Time] of any representation, warranty, or other

Exhibit "A" constitutes an event of default. Paragraph 7(e) of Exhibit "A" to the agreement goes on to provide that if an event of default occurs and it is not cured within ten days after notice from Tri-Star specifying such event of default, Tri-Star shall have the right any time thereafter to terminate the agreement.[8] Tri-Star provided such notice to Leisure Time in a December 5, 1988 letter which stated that Academy threatened to sue for any title containing "River Kwai," and that such a claim breached Leisure Time's warranty in ¶ 9(a)(2) of Exhibit "A." Leisure Time did not cure the default. Instead, it threatened to sue Tri-Star.

Leisure Time argues that Tri-Star's notice was defective because it referred to ¶ 9(a)(2) of Exhibit "A," rather than ¶ 12 of the Term Sheet. This argument is unavailing for two reasons. First, as previously discussed, ¶ 9(a)(2) of Exhibit "A" was the appropriate warranty for Tri-Star to mention. Second, ¶ 7(e) of Exhibit "A" states that Tri-Star must provide notice of the "event of default" and Tri-Star provided such notice by specifically referring to Academy's

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term or provision of this Agreement, which materially affects Tri-Star's rights hereunder ...."

8 Paragraph 7(e) provides:

> "If, at any time an Event of Default shall occur and Company [Leisure Time] fails to cure same within ten (10) days after notice from Tri-Star specifying such Event of Default, then Tri-Star shall have the right, at any time thereafter, to terminate this Agreement by notice in writing to such effect to Company [Leisure Time] ...."

threatened lawsuit. Thus, Tri-Star has completely satisfied its obligations under the provisions in the 1986 distribution agreement regarding Leisure Time's breach of warranty. That agreement required Leisure Time to deliver the motion picture free of all claims against it. Because Leisure Time did not do so, Tri-Star is entitled to terminate the agreement.

D. Leisure Time's Tortious Interference Claims

[11] Leisure Time argues in its motions for summary judgment on its tortious interference of contract claims against Columbia and Academy that they have acted with "unclean hands" and therefore have tortiously interfered with Leisure Time's 1986 distribution agreement with Tri-Star. Leisure Time relies on *Precision Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 65 S.Ct. 993, 89 L.Ed.1381 (1945), where the Supreme Court denied equitable relief to a plaintiff under the "clean hands" doctrine. Unclean hands, however, is not a cause of action; it is an equitable defense to equitable claims.

One of the essential elements of a claim for tortious interference of contract is that the alleged tort-feasor caused a third party to breach its contract with the plaintiff. *Universal Studios v. Nintendo Co., Ltd.*, 797 F.2d 70, 75 (2d Cir.), *cert. denied*, 479 U.S. 987, 107 S.Ct. 578, 93 L.Ed.2d 581 (1986); *Strobel v. New York Mercantile Exchange*, 561 F. Supp. 379, 386 (S.D.N.Y. 1983). Thus, in this case, Tri-Star would have had to breach its contract with Leisure Time for Leisure Time to have valid tortious interference of contract claims against Columbia and Academy. Because Tri-Star did not breach its contract with Tri-Star, Leisure Time's claims are deficient as a matter

of law. Accordingly, Leisure Time's motion for summary judgment on its claims for tortious interference of contract must be denied.

III. CONCLUSION

For the reasons stated above, Tri-Star's motion for summary judgment is granted. Accordingly, Leisure Time's cross-motion for summary judgment is denied. Leisure Time's motion for summary judgment on Academy's trademark infringement claim is denied. Leisure Time's motion for summary judgment on its claims for tortious interference of contract against Columbia and Academy is also denied.

SO ORDERED.

APPENDIX C

OPINION AND ORDER (EDELSTEIN, D.J.) OF THE UNITED STATES DISTRICT COURT, S.D.N.Y. DATED OCTOBER 6, 1992

TRI-STAR PICTURES, INC.,

Plaintiff,

v.

LEISURE TIME PRODUCTIONS, B.V.,

Defendant and Third Party Plaintiff,

v.

COLUMBIA PICTURES INDUSTRIES, INC., Columbia Pictures Entertainment, Inc., Horizon Pictures G.B., Academy Pictures A.G. and David Bottoms, and Hon. Raya S. Dreben as Executors of the Estate of Samuel Spiegel,

Third Party Defendants.

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88 Civ. 9127 (DNE).
United States District Court,
S.D. New York.

1992 U.S. Dist. LEXIS 15232; 1992-2 Trade Cas. (CCH) P69, 990

Oct. 6, 1992, Decided
Oct. 6, 1992, Filed

JUDGES: [*1] Edelstein

OPINION BY: DAVID N. EDELSTEIN

OPINION: OPINION & ORDER

EDELSTEIN, District Judge:

This opinion addresses three motions in the above-captioned matter. First, defendant/third-party plaintiff Leisure Time Productions, B.V. ("Leisure Time") has moved for reconsideration of this Court's October 15, 1990 Opinion and Order, *Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V.*, 749 F.Supp. 1243 (S.D.N.Y. 1990) (the "1990 Decision"), which granted Tri-Star Pictures, Inc. ("Tri-Star") summary judgment in a declaratory judgment action concerning a contract dispute between Tri-Star and Leisure Time.

Second, Tri-Star, Columbia Pictures Industries, Inc., and Columbia Pictures Entertainment, Inc. ("Tri-Star and the Columbia Defendants") have moved for summary judgment on Leisure Time's remaining claims, which are: (1) violation of General Business Law § 340 (the Donnelly Act); (2) violation of General Business Law § 368-d; (3) tortious interference with contract; and (4) unfair competition.

Third, Academy Pictures A.G. and the Estate of Samuel Spiegel (collectively "Academy") have moved for summary judgment against Leisure Time, claiming that Leisure Time [*2] violated the Trademark Act of 1946 (Lanham Act), 15 U.S.C. § 1051 *et*

seq., by entitling a motion picture "Return From The River Kwai."

BACKGROUND

"Bridge On The River Kwai" ("Bridge") was produced in 1956 by Sam Spiegel. The corporate vehicles through which Mr. Spiegel produced "Bridge" were Horizon-American pictures, Inc. and Horizon G.B. Ltd. ("Horizon"). Columbia distributed the film both in the United States and abroad.

On April 18, 1956, Albatross Trust, the predecessor of Academy, entered into an agreement ("the 1956 royalty agreement") with Horizon in which Albatross Trust obtained a 25% royalty interest in revenues generated by "Bridge" in the Western Hemisphere, excluding the United States and Canada. "Bridge" was released in 1957, won several academy awards, and has been viewed by millions of people in the United States and abroad. Since its release, the film has earned over fifty-five million dollars and continues to earn over one million dollars annually in distributor's gross revenues.

On January 5, 1959, Columbia entered into an agreement ("the January 5, 1959 agreement") with Horizon in which Columbia obtained the rights to [*3] "Bridge" subject to the already existing rights of Albatross Trust created by the 1956 royalty agreement. On February 2, 1959, Columbia reached a separate agreement ("the February 2, 1959 agreement") with Albatross Trust to settle existing claims for overdue royalties. The new agreement included: (1) a change in Albatross Trust's royalty rate; (2) the right for Albatross Trust to receive royalties on United States and Canadian revenues generated by "Bridge" and (3)

a change in the method of computing Albatross Trust's share of the net proceeds derived from "Bridge."

In July, 1986, Tri-Star and Leisure Time entered into an agreement ("the Distribution Agreement") whereby Leisure Time granted Tri-Star exclusive distribution rights for the movie "Return From The River Kwai" ("Return") in the United States and Canada. Unbeknownst to Tri-Star, before the signing the Distribution Agreement, a dispute had arisen regarding the title "Return From The River Kwai." Academy and Columbia had communicated to Leisure Time their position that as a result of the widespread exposure received by the motion picture "Bridge," the title and the geographic term "River Kwai" had attained secondary [*4] meaning and was therefore entitled to trademark protection under the Lanham Act.

On December 17, 1987, after the execution of the Distribution Agreement, Tri-Star and Columbia Pictures merged and became "sister" companies as wholly owned subsidiaries of Columbia Pictures Entertainment, Incorporated. Tri-Star and Columbia Pictures maintain separate film libraries, and each company is autonomously managed.

Upon learning of the title dispute, Tri-Star requested that Leisure Time change the name of "Return" to avoid potential liability. In early November 1988, Leisure Time offered to change the title to "March From The River Kwai" and to add a disclaimer disassociating the motion picture from "Bridge." This offer was not acceptable to Academy. By a letter dated November 17, 1988, Academy ad-

vised Tri-Star that any use of the name "River Kwai" would be met with a lawsuit to protect Academy's rights in the title.

By letter dated December 5, 1988, Tri-Star informed Leisure Time of Academy's trademark infringement claim. Tri-Star stated that, because of Academy's claim, Tri-Star considered Leisure Time in breach of its warranty to deliver the movie free from claims against it and therefore [*5] considered itself free to terminate the Distribution Agreement. In response, Leisure Time threatened to sue for breach of contract if Tri-Star terminated the agreement.

In its 1990 Decision, this Court found that Leisure Time had breached an express warranty[1] in the Distribution Agreement by adopting and retaining the title "Return From The River Kwai." See *Tri-Star,* 749 F.Supp. at 1253. The Court granted Tri-Star summary judgment holding that, in light of Academy's assertion of trademark rights in the term "River Kwai," Tri-Star was entitled unilaterally to terminate the Distribution Agreement.

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1 Leisure Time represented and warranted under ¶ 9(a)(2) of Exhibit "A" to the Distribution Agreement that "Return From The River Kwai" would be provided for distribution free from "claims, liens, encumbrances or rights of any nature ... which can or will impair or interfere" with Tri-Star's distribution of the film. Paragraph 9(a)(2) of Exhibit "A" further warrants that the film will not "infringe upon the trademark" of another party. See *Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V.,* 749 F.Supp. 1243, 1247-50 (S.D.N.Y. 1990).

[*6]

DISCUSSION

A. Leisure Time's Motion For Reconsideration of the 1990 Decision

Leisure Time contends that reconsideration of the 1990 Decision is appropriate due to newly discovered evidence—gleaned subsequent to the 1990 Decision —which demonstrates that Tri-Star is not entitled to summary judgment because: (1) Academy would be subject to a defense of laches; and (2) Academy's ownership interest in sequel or trademark rights in "Bridge" is disputed. Therefore, Leisure Time contends that, in the interest of justice, the Court should vacate its 1990 Decision.

The decision whether to reconsider an interlocutory opinion is discretionary with the district court. See *Marconi Wireless Co. v. United States*, 320 U.S. 1, 47-48 (1943). This authority should be exercised sparingly, however, in light of the strong policy considerations favoring finality with regard to adjudicated issues. *United States v. Adegbite*, 877 F.2d 174, 178 (2d Cir.), *cert. denied*, 493 U.S. 956 (1989). Thus, the law-of-the-case doctrine generally militates against reconsideration of a judicial decision [*7] absent a truly compelling justification.

The law-of-the-case doctrine is premised on the principle that "where litigants have once battled for the court's decision, they should neither be required, nor without good reason permitted, to battle for it again." *Zdanok v. Glidden Co.*, 327 F.2d 944, 953 (2d Cir.), *cert. denied*, 377 U.S. 934 (1964). Courts "generally adhere to [their] own earlier decision on a given

issue in the same litigation." *Adegbite*, 877 F.2d at 178 (citations omitted); see also *United States v. Uccio*, 940 F.2d 753, 758 (2d Cir. 1991). The "power to reconsider and modify ... prior interlocutory rulings is informed by the second branch of the law-of-the-case doctrine ... [which requires] that when a court has ruled on an issue, that decision should generally be adhered to ... in subsequent stages in the same case." *Arizona v. California*, 460 U.S. 605, 618 (1983). Indeed, the law-of-the-case doctrine is crucial in the context of ongoing litigation because "efficient disposition of the case demands [*8] that each stage of the litigation build on the last and not afford an opportunity to reargue every previous ruling." 1B James W. Moore, *et al.*, Moore's Federal Practice, p. 0.404[1], at 118 (2d ed. 1988).

The Court will reconsider its prior rulings only when presented with "'cogent' or 'compelling' reasons" to do so, such as "'an intervening change of controlling law, the availability of new evidence, or the need to correct a clear error or prevent manifest injustice.'" *Doe v. New York City Dep't Social Serv.*, 709 F.2d 782, 789 (2d Cir.) (citing 18 Wright, Miller & Cooper § 3378 at 790), *cert. denied*, 464 U.S. 864 (1983); see also, *Uccio*, 940 F.2d at 758; *United States v. Yonkers Bd. of Educ.*, 856 F.2d 7, 11 (2d Cir. 1988). In order to meet this threshold requirement for reconsideration, the party seeking reconsideration must demonstrate that the Court's adherence to the earlier holding would be "clearly erroneous and would work a manifest injustice". *Arizona v. California*, 460 U.S. 605, 618 n.8 (1983).

In addition, where a [*9] party seeks reconsideration on the basis of newly discovered evidence, the

proponent must demonstrate that the newly discovered evidence was neither in his possession nor available upon the exercise of reasonable diligence at the time the interlocutory decision was rendered. The Court will not set aside a judgment because a frustrated litigant failed to present on a motion for summary judgment all facts known by or reasonably available to him. The test here is the same as under Federal Rule of Civil Procedure 60(b): If evidence was in the possession of the party before the judgment was rendered, or reasonably would have been available to him, it is not "newly discovered" and does not entitle him to relief. 11 Wright & Miller § 2859 at 182-83; see also *Fay Corp. v. Bat Holdings 1, Inc.*, 651 F.Supp. 307, 309 (W.D. Wash. 1987) ("Motions for reconsideration ... are not justified on the basis of new evidence which could have been discovered prior to the Court's ruling.").

In sum, a party moving for reconsideration based on newly discovered evidence must, at a minimum, demonstrate that: (1) the proferred evidence was unavailable in spite of the exercise [*10] of due diligence in procuring evidentiary support; and (2) manifest injustice will result if the court opts not to reconsider its earlier decision. Leisure Time has failed to satisfy either requisite.

1. Allegedly New Evidence of Academy's Laches

The first piece of allegedly newly discovered evidence that Leisure Time offers is that "Spiegel (and, therefore, Academy) knew as early as 1978 that Leisure Time intended to produce the motion picture ['Return From the River Kwai'], not 1987 as Academy previously claimed. So did Columbia."

Memorandum of Law of Defendant/Third-Party Plaintiff Leisure Time Productions, B.V. In Support of Its Motion for Reconsideration of the October 15, 1990 Opinion and Order ("Leisure Time's Memorandum in Support of Reconsideration"), at 6. Leisure Time concludes that "it is difficult to conceive of a more egregious case of laches." *Id.* at 7. Therefore, Leisure Time argues, because Academy's laches would bar it from obtaining relief against Tri-Star, Tri-Star should not be relieved of its duty to comply with the Distribution Agreement. *Id.* at 8. Furthermore, Academy claims that Tri-Star knew that Academy's alleged laches would bar a [*11] preliminary injunction. Leisure Time's Memorandum in Support of Reconsideration, at 17-18.

Leisure Time's argument with respect to Academy's laches is wholly without merit. Even assuming *arguendo* that the Court found Academy guilty of laches,[2] such a finding would not be dispositive because it would not affect the propriety of summary judgment. Laches is an equitable defense that bars injunctive relief where a plaintiff unreasonably delays bringing a law suit. See *Stone v. Williams*, 873 F.2d 620, 623 (2d Cir.), *cert. denied*, 493 U.S. 959 (1989). In contrast to the running of a statute of limitations,

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2 "The existence of laches is a question primarily addressed to the discretion of the trial court," which must consider the "equities of the parties." *Gardner v. Panama R.R. Co.*, 342 U.S. 29, 30-31 (1951) *(per curiam)*. Laches is applied where it is clear that a plaintiff unreasonably delayed in initiating action and a defendant was prejudiced by the delay. See *Robins Island Preservation Fund, Inc. v. Southold Dev. Corp.*, 959 F.2d 409, 423 (2d Cir. 1992).

laches does not bar all claims but rather results in the "'denial of injunctive relief'" where "'equitable considerations dictate.'" *Securities Indus. Assoc. v. Clarke*, 885 F.2d 1034, 1041 (2d Cir. 1989), *cert. denied*, 493 U.S. 1070 (1990) (quoting *New Era Publications Int'l v. Henry Holt & Co.*, 873 F.2d 576, 584 (2d Cir. 1989)). Thus, laches would not bar all potential claims that Academy could raise against Tri-Star [*12] in the event that Tri-Star was bound by the Distribution Agreement. Academy's claim for damages for diminution of its trademark rights, for example, would survive a finding that Academy was guilty of laches. Therefore, Tri-Star would be permitted to terminate the Distribution Agreement under the express provisions of that document, regardless of Academy's purported laches. See *supra* at 5 n.1.

Moreover, Leisure Time has failed to demonstrate that evidence regarding Academy's purported laches was [*13] unavailable after the exercise of due diligence. Indeed, the substance of this allegation was before the Court during the prior proceedings in this matter. See Unger Affidavit, Exhibit A (June 18, 1987 letter of Paul Kohner). Therefore, the Court finds that Leisure Time has failed to meet the standard required for reconsideration on the basis of new evidence concerning Academy's laches.

2. Allegedly New Evidence Regarding the Ownership of "Bridge On The River Kwai"

The second piece of "new" evidence that Leisure Time offers in support of its motion for reconsideration relates to Academy's ownership of rights to "Bridge." Leisure Time contends that a "recent discovery confirms, beyond doubt, that Columbia

owns all legal right in ["Bridge"], including all rights in the trademark and title and all sequel rights." Leisure Time's Memorandum in Support of Reconsideration, at 21. This "new" evidence is apparently derived from a 1959 Bill of Sale, see *id.* at 10, and deposition testimony of Academy's counsel, Al Heit. See *id.* at 11. Once again, however, Leisure Time has failed to demonstrate that the proferred "new" evidence is either new or dispositive.

The [*14] issue of the ownership of rights in "Bridge" was clearly before the Court at the time of the 1990 Decision. Leisure Time repeatedly emphasized the point it now claims is newly discovered. See, *e.g.*, Reply Brief of Leisure Time Productions, B.V. (July 13, 1989), at 1-2; Leisure Time's Memorandum of Points and Authorities (May 26, 1989), at 5, 14-18; Davis Affidavit (May 26, 1989), at 2-8. Indeed, Leisure Time is merely attempting to reargue the merits of a claim it has advocated since the beginning of this litigation. As such, the purportedly "new" evidence of ownership in "Bridge" does not merit reconsideration.

In sum, reconsideration of the 1990 Decision is unwarranted. The Court's discretion to reconsider interlocutory orders is not without boundaries. The purpose of this authority is to prevent manifest injustice—not to provide frustrated litigants a forum in which to reiterate aged arguments. The law-of-the-case doctrine expresses the common sense proposition that litigants who have once had the opportunity fully and fairly to argue their claims should not lightly be granted a second opportunity to do so. Absent truly compelling justification, policy considerations [*15] demand that both litigants and the

Court be spared the delay and expense inexorably linked to reconsideration of a decision. Because the Court finds that Leisure Time has presented neither new evidence nor demonstrated that manifest injustice will result if it does not prevail on its motion to reconsider the 1990 Decision, the motion is denied.

B. Summary Judgment

A party seeking summary judgment must demonstrate "that there is no genuine issue as to any material fact" such that it "is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(c); see also *Knight v. U.S. Fire Ins. Co.*, 804 F.2d 9, 11 (2d Cir. 1986), *cert. denied*, 480 U.S. 932 (1987). The moving party has the initial burden of establishing the absence of a genuine issue of material fact. See *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 157 (1970). If the movant satisfies this prerequisite, the non-moving party may nonetheless defeat summary judgment by coming forward with specific facts that show there is a genuine issue for trial. Fed.R.Civ.P. 56(e); see also *Matushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986). [*16] Summary judgment will be denied if the evidence bolstering the non-moving party's case is sufficient to lead a rational trier of fact to return a verdict in his favor. *National Union Fire Ins. Co. v. Walton Ins. Ltd.*, 696 F.Supp. 897, 900 (S.D.N.Y. 1988). In determining whether this burden has been met, however, "it has long been the rule that 'on summary judgment the inferences to be drawn from the underlying facts contained in [the moving party's] materials must be viewed in the light most favorable to the party opposing the motion.'" *Lendino v. Trans Union Credit Info. Co.*, 1992 U.S. App. LEXIS 17215, *5 (2d Cir. 1992) (quoting

Adickes, 398 U.S. at 158-59). "In considering the motion, the court's responsibility is not to resolve disputed issues of fact but to assess whether there are any factual issues to be tried, while resolving ambiguities and drawing reasonable inferences against the moving party." *Knight*, 804 F.2d at 11 (citations omitted).

1. Tri-Star Pictures, Inc., Columbia Pictures Industries, Inc. and Columbia Pictures Entertainment, [*17] Inc.'s Motion for Summary Judgment on Remaining Claims

This Court disposed of the contractual dispute between Tri-Star and Leisure Time in its 1990 Decision by holding that Leisure Time breached the Distribution Agreement. Leisure Time's remaining claims against Tri-Star and the Columbia defendants are: (1) violation of General Business Law § 340 (the Donnelly Act); (2) violation of General Business Law § 368-d; (3) tortious interference with contract; and (4) unfair competition. In light of the Court's earlier decision in this matter, Tri-Star is entitled to summary judgment on these claims as a matter of law.

Leisure Time concedes that, if the 1990 Decision is not reconsidered and vacated, "Columbia's and Tri-Star's motion for summary judgment should be granted." Memorandum of Law of Defendant/Third-Party Plaintiff Leisure Time Productions, B.V. In Opposition to the Motions for Summary Judgment of Plaintiff Tri-Star Pictures, Inc. and Third-Party Defendants Columbia Pictures Industries, Inc. and Columbia Pictures Entertainment, Incorporated. Indeed, defendants must concede this point. In light of the Court's 1990 Decision, Leisure Time cannot

prove that its damages were [*18] proximately caused by either Tri-Star or the Columbia defendants. Causation is an essential element of each of the remaining claims. See *Schlanger v. Four-Phase Sys., Inc.*, 555 F. Supp. 535, 538 (S.D.N.Y. 1982) ("causation is an essential element of all tort cases"); *Van Dussen-Storto Motor Inn, Inc. v. Rochester Tel. Corp.*, 63 A.D.2d 244, 252 (4th Dep't 1978) (proximate cause requirement under the Donnelly Act); Prosser & Keeton, Torts § 129 (5th Ed. 1984) ("To be held liable for interference with a contract, the defendant must be shown to have caused the interference and the loss."). Without proving causation, Leisure Time's remaining tort claims fail. Thus, as this Court has already stated, "because Tri-Star did not breach its contract with [Leisure Time], Leisure Time's claims are deficient as a matter of law." *Tri-Star*, 749 F.Supp. at 1254. Tri-Star's and the Columbia Defendants' motion for summary judgment on the remaining claims must therefore be granted.

2. Academy Pictures A.G.'s and the Estate of Samuel Spiegel's Motion for Summary Judgment

In order to prevail [*19] on its Lanham Act claim, Academy must demonstrate that there is a likelihood of confusion between its mark and the title of Leisure Time's film, "Return From The River Kwai." The test to determine likelihood of confusion between the marks is that enunciated in *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961); see also *Western Publishing Co., Inc. v. Rose Art Indus., Inc.*, 910 F.2d 57, 60-61 (2d Cir. 1990) ("the 'likelihood of confusion' as to product source is evaluated by balancing the ... factors

articulated by Judge Friendly in *Polaroid.")*. In *Polaroid,* the Second Circuit held that eight factors should be considered in order to evaluate the likelihood of confusion between marks: (1) the strength of plaintiff's mark; (2) the degree of similarity between plaintiff's and defendant's mark; (3) proximity of products or services; (4) the likelihood that plaintiff will "bridge the gap" into defendant's market; (5) evidence of actual confusion, generally garnered from surveys; (6) defendant's good faith in adopting the mark; (7) the quality [*20] of defendant's product; and (8) the sophistication of the target audience or projected purchasers of the product. See *Polaroid,* 287 F.2d at 495.

The *Polaroid* analysis is inherently ill-suited to summary judgment. As one preeminent scholar has noted, "in this area, each case is decided on its own facts; if the cases share a common principle, it is their attempt to articulate a fair and just result taking into account all the circumstances ... " Jane C. Ginsberg, *et al.,* Trademark and Unfair Competition Law 350 (1991). Indeed, "as the Second Circuit has admonished, 'disputes between parties as to trademark validity and infringement can rarely be determined satisfactorily on a motion for summary judgment.'" *Frederick Warne & Co., Inc. v. Book Sales, Inc.,* 481 F.Supp. 1191, 1195 (S.D.N.Y. 1979) (quoting *Marcus Breier Sons v. Marvlo Fabrics,* 173 F.2d 29 (2d Cir. 1949)). Lanham Act claims are uniquely fact-intensive and are best decided after the trier of fact is afforded exposure to opposing litigants' arguments in the court room.

Academy has made a strong preliminary showing [*21] that it is entitled to relief under the Lanham

Act. Surveys submitted to the Court demonstrate that a substantial portion of the sample population is misled by Leisure Time's title. Many of those queried responded—mistakenly—that Leisure Time's "Return From The River Kwai" is a sequel to Academy's film, "Bridge On The River Kwai". Indeed, it may be telling that Leisure Time has failed to counter Academy's cogent survey data with a survey of its own.

Nonetheless, disputed issues of material fact exist such that summary judgment is inappropriate at this juncture. As indicated above, in evaluating a motion for summary judgment, the Court must resolve ambiguities and draw reasonable inferences against the moving party. See *Knight,* 804 F.2d at 11. In the instant case, viewing the facts in a light most favorable to Leisure Time, there exist disputed issues of fact as to, *inter alia,* (1) whether Academy is guilty of laches; (2) whether Academy's mark is sufficiently strong to merit expansive trademark protection; and, (3) whether the term "River Kwai" has acquired secondary meaning and, indeed, whether the term denotes a geographical location [*22] or is fanciful shorthand for the "River Kwae Noi." Because these factual issues must be resolved, summary judgment is not appropriate at this time. See Fed.R.Civ.P. 56(c). Academy's motion for summary judgment on its Lanham Act claim must therefore be denied.

CONCLUSION

For the reasons stated above, Leisure Time's motion for reconsideration of the 1990 Decision is DENIED. Tri-Star and the Columbia Defendants' motion for summary judgment on Leisure Time's remaining causes of action is GRANTED. Finally,

Academy's motion for summary judgment on its Lanham Act claim against Leisure Time is DENIED.

SO ORDERED.

Dated: October 6, 1992
New York, New York

David N. Edelstein
U.S.D.J.

APPENDIX D

FINAL CONSENT JUDGMENT OF THE UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK, DATED MARCH 12, 1993

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
88 Civ. 9127 (DNE)

TRI-STAR PICTURES, INC.,

Plaintiff,

- against -

LEISURE TIME PRODUCTIONS, B.V.,

Defendant and Third-Party Plaintiff,

- against -

COLUMBIA PICTURES INDUSTRIES, INC., et al.,

Third-Party Defendants.

WHEREAS, pursuant to Opinions and Orders dated October 15, 1990 and October 6, 1992 (the "Opinions and Orders"), the Court rendered decision on certain of the claims in this action; and

WHEREAS, pursuant to agreement among the parties, the parties consent to dismissal of all remaining claims in this action;

NOW, THEREFORE, it is:

1. ORDERED, ADJUDGED, AND DECREED that, for the reasons stated in the Opinions and Orders, judgment is granted in favor of plaintiff Tri-Star Pictures, Inc. ("Tri-Star") on its claim for a declaratory judgment and in favor of Tri-Star and third-party defendants Columbia Pictures Industries, Inc. and Columbia Pictures Entertainment, Inc. (collectively, "Columbia") and against defendant/third-party plaintiff Leisure Time Productions, B.V. ("Leisure Time") on the counterclaims and third-party claims it asserted against Tri-Star and Columbia;

2. ORDERED, ADJUDGED, AND DECREED that, based upon the agreement of the parties, all remaining third-party claims of Leisure Time, asserted against Academy Pictures, A.G., the Estate of Samuel Spiegel (the "Estate"), the Executors of the Estate, and Horizon Pictures G.B., are dismissed with prejudice and that Leisure Time shall not appeal from the dismissals in this paragraph;

3. ORDERED, ADJUDGED, AND DECREED that all counterclaims of third-party defendants Academy Pictures, A.G. are dismissed without prejudice to proceeding with such claims, to the extent already asserted, in the action entitled Tri-Star Pictures, Inc. v. Kurt Unger, et al., 88 Civ. 9129 (DNE) now pending in the United States District Court for the Southern District of New York; and

4. ORDERED, ADJUDGED, AND DECREED that the parties shall bear their own costs.

Dated: New York, New York
March 12, 1993

CONSENTED TO:

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

/s/
By: Robert E. Goudie, Jr. (RG 9170)
1285 Avenue of the Americas
New York, New York 10019
(212) 373-3000
Attorneys for Leisure Time Productions, B.V.

WEISS DAWID FROSS ZELNICK & LEHRMAN, P.C.

/s/
By: Richard Lehv (RL 6097)
633 Third Avenue
New York, New York 10017
(212) 953-9090
Attorneys for Academy Pictures, A.G. and Raya S. Dreben, as Co-Executor of the Estate of Samuel Spiegel

FRIED, FRANK, HARRIS, SHRIVER & JACOBSON

/s/

By: Ira S. Sacks (IS 2861)
One New York Plaza
New York, New York 10004
(212) 820-8000
Attorneys for Tri-Star Pictures, Inc., Columbia Pictures Industries, Inc., and Columbia Pictures Entertainment, Inc.

/s/
[David N. Edelstein]
U.S.D.J.

Dated: March 23, 1993
New York, New York

APPENDIX E

DECISION OF THE UNITED STATES COURT OF APPEALS, SECOND CIRCUIT, DATED FEBRUARY 17, 1994

TRI-STAR PICTURES, INC.,

Plaintiff-Appellee,

v.

LEISURE TIME PRODUCTIONS,

Defendant-Appellant.

LEISURE TIME PRODUCTIONS, B.V.,

Third Party Plaintiff-Appellant,

v.

COLUMBIA PICTURES INDUSTRIES, INC. and Columbia Pictures Entertainment, Inc.,

Third-Party Defendants-Appellees,

Horizon Pictures G.B.; Academy Pictures, A.G.; David N. Bottoms and Hon. Raya S. Dreben, as Executors of the Estate of Samuel Spiegel,

Third Party Defendants.

No. 375, Docket 92-7381.
United States Court of Appeals,
Second Circuit.

Argued Oct. 6, 1993.
Decided Feb. 17, 1994.

MINER, Circuit Judge:

Defendant-third-party-plaintiff-appellant Leisure Time Productions, B.V. ("Leisure Time") appeals from a summary judgment entered on March 24, 1993 in the United States District Court for the Southern District of New York (Edelstein, J.) in favor of plaintiff-appellee Tri-Star Pictures, Inc. ("Tri-Star") in an action brought under the Declaratory Judgment Act, 28 U.S.C. §§ 2201 & 2202, declaring the contract for distribution of Leisure Time's motion picture terminated, and dismissing Leisure Time's counterclaims for breach of contract and unfair competition. The district court also dismissed third-party claims by Leisure Time against Columbia Pictures Industries, Inc. ("CPII") and Columbia Pictures Entertainment, Inc. ("CPEI") to recover for unfair competition. Tri-Star brought the action to declare terminated a distribution agreement ("Distribution Agreement") it had entered into with Leisure Time for the distribution of a motion picture produced by Leisure Time. On appeal, Leisure Time primarily contends that the district court erred in granting summary judgment because it failed to consider certain provisions of the distribution agreement in determining whether genuine issues of material fact were presented. For the reasons that follow, we affirm.

BACKGROUND

The titles of two motion pictures, "The Bridge on the River Kwai" *("Bridge")* and "Return from the River Kwai" *("Return")*, give rise to the conflict among the parties in this case. *Bridge* was produced in 1956 by the late Sam Spiegel through two corporations he controlled, Horizon-American Pictures, Inc. and Horizon G.B. Ltd. ("Horizon"). Academy Pictures, A.G. ("Academy") is the successor in interest to Albatross Trust, which received from Horizon in 1956 the right to certain royalty payments in connection with the distribution of *Bridge*. In 1959, CPII acquired the copyright to *Bridge*, subject to Academy's existing royalty interest[1] Later that year, CPII and Academy entered into an agreement to resolve claims regarding royalty payments due Academy. As a result, Academy's royalty rates were increased and its rights extended to include revenue from the United States and Canada. Academy also agreed not to sue CPII for claims relating to *Bridge* except for claims arising out of its rights under the agreement, including royalty payments.

Leisure Time (through its predecessor in interest, Screenlife Establishment) acquired in 1978 all motion picture rights in a book entitled *Return from the River Kwai*. In a 1987 letter to Kurt Unger, the producer of *Return*, Hollywood agent Paul Kohner indicated that the rights to *Return* had first been offered to Spiegel. According to Kohner, Spiegel declined the

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1 In December of 1987, Tri-Star and CPII merged and became "sister companies" of CPEI, a third-party-defendant-appellee. CPEI was formed to oversee the operations of Tri-Star and CPII.

opportunity to purchase the motion picture rights to *Return*. Albert Heit, the long-time attorney for Spiegel, Horizon and Academy, testified during his deposition in this action that, while he and Spiegel had discussed the book and its legal ramifications, they never discussed a motion picture based on the book and Spiegel never informed him that he had been offered the motion picture rights. Heit also testified that Spiegel ordinarily would have informed him of such an offer.

The acquisition of the motion picture rights in *Return* was publicized in the Hollywood trade press. Leisure Time also registered the title *Return* with the Motion Picture Association of America ("MPAA"). This registration was published in the MPAA's daily title registration listing service, which was mailed to all subscribers of the service. Both CPII and Horizon subscribed to this service. The MPAA rules then in effect enabled any member to protest a newly registered title within seven days of receiving notice of the registration. CPII, a member of the MPAA, protested the registration of *Return* on the ground of harmful similarity. The protest was not considered by the MPAA because it was received a few days late, but it was published by the MPAA in its daily listing service. After registering the title, Leisure Time commenced pre-production activities. According to Unger, Leisure Time spent approximately two million dollars between 1978 and 1988 in various pre-production activities such as selecting actors, directors, screenwriters and distributors, and arranging for financing and film sites.

In July of 1986, Tri-Star and Leisure Time entered into the Distribution Agreement, under which Lei-

sure Time promised to deliver *Return* to Tri-Star and, in turn, Tri-Star obligated itself to distribute *Return* in the United States and Canada. Leisure Time represented and warranted that it would provide *Return* for distribution free of any claims that "can or will" impair or interfere with the rights of Tri-Star. The Distribution Agreement also provided for termination upon Leisure Time's breach of any warranty which "materially affect[ed]" the rights of Tri-Star thereunder. Additionally, the Distribution Agreement provided that Leisure Time would indemnify Tri-Star for any claims caused by a breach of the Distribution Agreement and also required Leisure Time to procure errors and omissions insurance ("E & O" insurance) to protect against trademark claims.

Early in June of 1987, Ronald N. Jacobi, then Senior Vice President and General Counsel of CPII, telephoned Heit to advise him that Leisure Time was planning to produce a motion picture entitled "Return from the River Kwai." Jacobi thereafter sent a letter dated June 9, 1987 to Heit Suggesting that they take action concerning this motion picture. Heit says that he was unaware of *Return* prior to being contacted by Jacobi. He also indicated that he could find no information suggesting that Academy had any prior knowledge of *Return*.

In a letter dated June 15, 1987, Jacobi demanded on behalf of CPII and Horizon that Unger cease and desist from any further use of the name "Return from the River Kwai" or action would be taken to protect the rights of CPII and Horizon in "Bridge on the River Kwai." Jacobi explained that CPII and Horizon believed that there were trademark and

unfair competition problems with the use of the *Return* title. Further correspondence between the parties failed to result in a resolution.

Filming of *Return* commenced in February of 1988. In June of 1988, Roger Faxon, a senior executive at CPII, wrote to Tri-Star's president David Matalon, to inquire whether Tri-Star could persuade Leisure Time to change the title of *Return* to prevent the risk of a lawsuit by Academy. Matalon, in turn, wrote Leisure Time in September of 1988 and stated that, upon the advice of outside counsel and Tri-Star's legal department, there was a substantial risk that the Spiegel interests would prevail in a suit to enjoin the release of *Return*.

Subsequently, in October of 1988, Leisure Time offered to change the title of the motion picture to "March from the River Kwai" and to add a disclaimer stating that the film was not a sequel to *Bridge*. In a November 2, 1988 letter, Jacobi, then Senior Vice President and General Counsel of CPEI, informed Academy that this proposal provided an excellent compromise to avoid unnecessary litigation and that it was unlikely that a court would consider granting any further relief. Nevertheless, in a November 17, 1988 letter, Academy rejected the proposal and threatened to commence litigation, joining Tri-Star and Columbia as defendants, if the term "River Kwai" was used in the title of *Return*.

In light of its inability to secure Academy's consent, Tri-Star, on December 5, 1988, demanded that Leisure Time eliminate "River Kwai" from the title for the reason that Academy's threat to sue put Leisure Time in default of its obligation under the

Distribution Agreement to deliver *Return* free from any claim that could impair or interfere with Tri-Star's distribution rights. Leisure Time refused to remove the words "River Kwai" from the title and threatened to sue Tri-Star if it did not distribute *Return*.

On December 27, 1988, Tri-Star filed a companion declaratory judgment action entitled *Tri-Star Pictures, Inc. v. Unger*, 88 Civ. 9129 (DNE) to establish the respective rights of Academy and Leisure Time in the titles *Bridge* and *Return* and in the words "River Kwai," as well as this declaratory judgment action to declare the termination of the Distribution Agreement. In the captioned action, Leisure Time counterclaimed against Tri-Star for breach of contract in light of Tri-Star's refusal to distribute *Return*, alleging that Academy' trademark claim did not materially affect Tri-Star's rights. Leisure Time also asserted counterclaims against Tri-Star for various unfair trade violations including restraint of trade, in violation of section 340 of New York's General Business Laws; common law interference with contract; common law unfair competition; and unfair competition in violation of section 368-d of New York's General Business Laws. It asserted the same unfair competition claims by way of third-party complaint against CPII, CPEI and Academy as well as Horizon and the Estate of Sam Spiegel. By way of counterclaim in its third-party answer, Academy asserted claims against Leisure Time and Tri-Star for trademark infringement, in violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); common law unfair competition; and dilution and injury to business reputation, in violation of section 368 of the New York General Business Law.

Tri-Star moved for summary judgment on its claim for a declaration that the contract was terminated, and Leisure Time cross-moved for summary judgment on its counterclaim for breach of contract. In an Opinion & Order reported at 749 F.Supp. 1243 (S.D.N.Y. 1990), the district court granted Tri-Star's motion. The district court found that Academy's trademark claim clearly would impair or interfere with Tri-Star's distribution rights and constitute a breach of the warranty give by Leisure Time in paragraph 9(A)(2) of Exhibit A to the Distribution Agreement. 749 F.Supp. at 1253. It then concluded that, because Leisure Time could not deliver the film free of all claims against it, Tri-Star was entitled to terminate the Distribution Agreement. Leisure Time's counterclaim was dismissed accordingly.

In a later Opinion & Order, dated October 6, 1992, the district court addressed three additional motions: (1) Leisure Time's motion for reconsideration on new evidence of the summary judgment entered in favor of Tri-Star; (2) a motion by Tri-Star and the Columbia defendants for summary judgment dismissing Leisure Time's unfair competition claims; and (3) a motion by Academy and the estate of Sam Spiegel for summary judgment against Leisure Time in the companion trademark action.

The district court denied Leisure Time's motion for reconsideration on finding that the proffered evidence was not newly discovered and granted summary judgment for Tri-Star and the Columbia Defendants on the remaining claims. Finally, the district court denied Academy's motion for summary judgment against Leisure Time on the companion

trademark infringement claim because disputed issues of material fact remained as to laches, secondary meaning and strength of the "River Kwai" mark. While denying Academy's motion, however, the district court noted that "Academy has made a strong preliminary showing that it is entitled to relief under the Lanham Act." *Id.* 1992 WL 296314, at *7, 1992 U.S.Dist. LEXIS 15232 at *20-21.

In a final judgment dated March 23, 1993, the district court granted judgment in favor of Tri-Star on its claim for declaratory judgment and in favor of Tri-Star and the Columbia defendants, dismissing the counterclaims and third-party claims asserted by Leisure Time; ordered, based on the parties' agreement, that all remaining third-party claims of Leisure Time against Academy, the Spiegel Estate and Horizon be dismissed with prejudice (with no right of appeal); and ordered that the counterclaims of Academy in the third-party answer be dismissed without prejudice to proceed with those claims in the pending trademark action. Leisure Time appeals from the portion of the final judgment granting judgment in favor of Tri-Star on its claim for declaratory relief and in favor of Tri-Star and the Columbia defendants on the counterclaims and third-party claims of unfair competition.

DISCUSSION

Leisure Time contends that summary judgment in favor of Tri-Star should not have been granted because material issues of fact regarding the materiality of the Academy claim and Tri-Star's lack of good faith must be resolved. Leisure Time also contends that the district court failed to consider certain

provisions of the Distribution Agreement and, therefore, that this Court should at least remand this proceeding to allow the district court to render factual determinations.

Summary judgment is appropriate if there are no genuine issues of material fact and the moving party establishes its right to judgment as a matter of law. Fed.R.Civ.P. 56(c); *Brown v. E.F. Hutton Group, Inc.*, 991 F.2d 1020, 1030 (2d Cir. 1993). Once the moving party properly has supported its motion for summary judgment, the non-moving party must establish a genuine issue of material fact in order to defeat the grant of summary judgment. *Matsushita Elec. Ind. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 585-86, 106 S.Ct. 1348, 1355, 89 L.Ed.2d 538 (1986). The "mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48, 106 S.Ct. 2505, 2509-10, 91 L.Ed.2d 202 (1986). We review the grant of a motion for summary judgment *de novo*, see *Peoples Westchester Sav. Bank v. Federal Deposit Ins. Corp.*, 961 F.2d 327, 330 (2d Cir. 1992), and find that it was proper in this case.

A. Materiality of Academy Trademark Claim

[1] Leisure Time contends that the Academy claim does not materially affect Tri-Star's rights under the Distribution Agreement and, therefore, that Tri-Star is not entitled to terminate the Distribution Agreement. Two provisions of the Distribution Agreement are relevant here. Paragraph 9(A)(2) of Exhibit A provides that "[t]here are, and will be, no claims ... of any nature in or to the Picture

or any part thereof which can or will impair or interfere with the rights of Tri-Star hereunder." Paragraph 7(A)(2) of Exhibit A provides that the right to terminate the contract would occur upon "any breach or default by [Leisure Time] of any *representation,* warranty or other term or provision of this Agreement, which *materially* affects Tri-Star's rights hereunder." (emphasis added). In determining whether Tri-Star is entitled to exercise the right of termination under paragraph 7(A)(2), our inquiry is limited to whether the Academy claim constitutes a breach of the representation in paragraph 9(A)(2) and whether the breach materially affects Tri-Star's rights. We need not determine that the underlying trademark action will succeed in order to decide this case.

[2, 3] To prevail on a statutory or common law claim of trademark infringement, a party must establish that the symbols for which it seeks trademark protection are valid, legally protectable marks and that another's subsequent use of a similar mark is likely to create confusion as to the origin of the product. *Pirone v. MacMillan, Inc.*, 894 F.2d 579, 581-82 (2d Cir. 1990). Titles of motion pictures and other works of artistic expression are entitled to trademark protection under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988 & Supp. IV 1992). *See Twin Peaks Prods., Inc. v. Publications Int'l, Ltd.*, 996 F.2d 1366, 1379 (2d Cir. 1993); Alan Behr, *Film and TV Titles Prove Difficult to Protect,* Nat'l L.J., Nov. 1, 1993, at S34, S34.

The district court, in denying summary judgment to both Academy and Leisure Time on the trademark issue that now is before the district court in the

companion case, noted that material issues of fact remained regarding the merits of this claim. 749 F.Supp. at 1253; 1992 WL 296314, at *6-7, 1992 U.S.Dist. LEXIS 15232, at *19-21. The district court also noted that Academy had made a strong preliminary showing for relief under the Lanham Act. The district court indicated that surveys submitted to the court in conjunction with the trademark issue demonstrated that a substantial portion of the sample population mistakenly believed that *Return* was a sequel to *Bridge*. 1992 WL 296314, at *7, 1992 U.S.Dist. LEXIS 15232, at *21. Thus, at the very least, Academy has presented a colorable claim that may have forced Tri-Star to engage in protracted litigation. The Distribution Agreement clearly was designed to protect Tri-Star from such a burden. The claim was contrary to Leisure Time's representation that there would be no claims interfering with the rights of Tri-Star.

Notwithstanding the merits of the Academy claim, Tri-Star cannot exercise the termination clause of the Distribution Agreement if the claim does not materially affect its rights thereunder. Distrib. Agree., Exhibit A, ¶ 7(A)(2). The possibility of liability for money damages alone does not represent a threat because Leisure Time agreed to indemnify Tri-Star against such liability. Paragraph 9(B) of Exhibit A provides:

> [Leisure Time] shall indemnify and hold harmless Tri-Star and the corporations comprising Tri-Star, and its and their officers, directors and employees, from and against any and all liability, damages, costs and expenses (including reasonable attorneys' fees and court

> costs) which any of them may sustain or suffer by reason of breach of any of the covenants, agreements, representations or warranties of [Leisure Time] contained in this Agreement. In addition to any and all rights and remedies granted to Tri-Star hereunder, Tri-Star shall have the right to set off against any monies payable to [Leisure Time] hereunder the amount of any such liability, damages, costs and expenses.

Additionally, Leisure Time, in accordance with paragraph 6(A) of Exhibit A, obtained E & O insurance for *Return* on behalf of itself and Tri-Star. This insurance was for $1,000,000 per claim, with an aggregate of $3,000,000, amounts which were specified in the Distribution Agreement. Given the broad indemnity provision and E & O insurance, we conclude that the threat of money damages posed by the Academy claim does not materially affect Tri-Star's rights under the Distribution Agreement.

If Academy were to obtain a preliminary injunction enjoining the distribution of *Return*, however, there can be little dispute that the injunction would materially affect Tri-Star's rights. Leisure Time acknowledges as much in its answer, submitted in response to the complaint in this action, wherein it conceded that "any restraint against release of Leisure Time's motion picture would be damaging to [Tri-Star]." The Distribution Agreement obligates Tri-Star to contract with exhibitors and to otherwise distribute and market *Return*. An injunction would impede the performance of that obligation and adversely affect Tri-Star's relationship with those parties with which it necessarily would contract for the

distribution and marketing of the motion picture. Leisure Time nevertheless argues that the Academy claim does not materially affect Tri-Star's rights because the doctrine of laches forecloses Academy from obtaining injunctive relief.

[4-6] Laches is an equitable defense which bars injunctive relief where a plaintiff unreasonably delays in commencing an action. *Stone v. Williams*, 873 F.2d 620, 623 (2d Cir.), *cert. denied*, 493 U.S. 959, 110 S.Ct. 377, 107 L.Ed.2d 362 (1989), *vacated on other grounds*, 891 F.2d 401 (2d Cir. 1989), *cert. denied*, 496 U.S. 937, 110 S.Ct. 3215, 110 L.Ed.2d 662 (1990). To prove laches and bar the grant of injunctive relief in the companion trademark action, Leisure Time would need to show that Academy had knowledge of Leisure Time's planned use of the trademark, that Academy inexcusably delayed in taking action and that Leisure Time would be prejudiced if Academy belatedly asserted its rights. *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1040 (2d Cir. 1980); *see New Era Publications Int'l v. Henry Holt & Co.*, 873 F.2d 576, 584-85 (2d Cir. 1989) (equitable doctrine of laches barred plaintiff from enjoining publication of author's biography when there was severe prejudice and unconscionable delay in seeking injunctive relief), *cert. denied*, 493 U.S. 1094, 110 S.Ct. 1168, 107 L.Ed.2d 1071 (1990). The equitable nature of laches necessarily requires that the resolution be based on the circumstances peculiar to each case. *Stone*, 873 F.2d at 623-24. The inquiry is a factual one. The determination of whether laches bars a plaintiff from equitable relief is entirely within the discretion of the trial court. *Robins Island Preservation Fund, Inc. v. Southold Dev. Corp.*, 959 F.2d 409, 423 (2d Cir.), *cert.*

denied, ___ U.S. ___ , 113 S.Ct. 603, 121 L.Ed.2d 539 (1992).

The record is not so clear that we can conclude with certainty that the injunctive relief sought by Academy against the release and distribution of *Return* is foreclosed by laches. There are questions of fact as to whether Academy received notice in 1978 or 1987 that a motion picture entitled *Return* would be filmed; whether Academy inexcusably delayed in asserting its trademark claim against Leisure Time between 1987, when Academy acknowledges notice, and 1989, when the trademark action was commenced; and whether Leisure Time was prejudiced by this delay. The district court noted that there are disputed issues of material fact as to whether Academy is guilty of laches. 1992 WL 296314, at *7, 1992 U.S.Dist. LEXIS 15232, at *21. Since Leisure Time is unable to demonstrate, as a matter of law, that Academy is foreclosed from obtaining the injunctive relief it seeks, the Academy claim materially affects Tri-Star's rights and obligations under the Distribution Agreement and, therefore, Tri-Star is entitled to exercise its right of termination.

B. Issue of Good Faith/Fair Dealing

[7] Leisure Time also contends that, even if the Academy claim materially affects Tri-Star's rights, Tri-Star is not entitled to terminate the Distribution Agreement because it was obligated to compel its sister company, CPII, to license the use of *Bridge* for *Return* under both its duty to exercise good faith business judgment pursuant to paragraph 8(b) of the Distribution Agreement and under the doctrine of good faith and fair dealing inherent in contracts

pursuant to California law, which applies in this case pursuant to a choice of law clause in the Distribution Agreement. *See Foley v. Interactive Data Corp.*, 47 Cal.3d 654, 254 Cal.Rptr. 211, 227, 765 P.2d 373, 389 (1988). Leisure Time further argues that Tri-Star's lack of good faith also is evidenced by Tri-Star's refusal to proceed with distribution only one month after attempting to persuade Academy to accept the title change and disclaimer as a compromise. We disagree.

Tri-Star has no duty or obligation to compel its sister company, CPII, to provide a license for Leisure Time. CPII, not Tri-Star, owns the rights to *Bridge*. Despite Leisure Time's contention that Tri-Star can compel the issuance of a license, it fails to offer any concrete evidence that Tri-Star has a right to dictate the licensing of any title owned by CPII. *Cf. Mellon Bank, N.A. v. Metro Communications, Inc.*, 945 F.2d 635, 643 (3d Cir. 1991) *(cert. denied, Committee of Unsecured Creditors v. Mellon Bank, N.A.*, ___ U.S. ___ , 112 S.Ct. 1476, 117 L.Ed.2d 620 (1992) related corporations entitled to presumption of separateness); *Crown Cent. Petroleum Corp. v. Cosmopolitan Shipping Co.*, 602 F.2d 474, 476 (2d Cir. 1979) (absent a showing of fraud or bad faith, related corporations entitled to presumption of separateness). Moreover, we do not believe that CPII has an unrestricted right to grant a license in derogation of Academy's interest. *See Cortner v. Israel*, 732 F.2d 267, 272 (2d Cir. 1984) (copyright holder may be liable for breach of implied obligation not to use title in a way that deprives party of right to royalties); *Van Valkenburgh, Nooger & Neville, Inc. v. Hayden Publishing Co.*, 30 N.Y.2d 34, 330 N.Y.S.2d 329, 334, 281 N.E.2d 142, 145 (N.Y.) (activity of publisher that harms

author and lessens royalties may justify breach of contract action), *cert. denied*, 409 U.S. 875, 93 S.Ct. 125, 34 L.Ed.2d 128 (1972). Indeed, in rejecting the proffered compromise set forth in the November 2, 1988 letter from Jacobi, Academy threatened to sue and to join Tri-Star and Columbia as defendants if *Return* was released with the words "River Kwai" in the title. We conclude that Tri-Star merely exercised its contractual right to terminate the Distribution Agreement when confronted by an Academy claim which materially threatened its rights under the Agreement. Tri-Star bargained for the right to protect itself from having to litigate a colorable claim and, in exercising that right, it cannot be said to have acted in bad faith in this case.

CONCLUSION

As conceded by Leisure Time, the counterclaims that it asserted against Tri-Star for breach of contract and unfair competition, as well as its third-party claims against the Columbia defendants, are dependent upon a finding of contractual breach on the part of Tri-Star. Since we have determined that Tri-Star properly exercised its right to terminate the contract, those counterclaims and third-party claims properly were dismissed. Accordingly, the judgment of the district court is affirmed in all respects.

APPENDIX F

DECISION OF THE UNITED STATES COURT OF APPEALS, SECOND CIRCUIT, DATED JUNE 16, 1994

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the 16th day of June one thousand nine hundred and ninety-four.

TRI-STAR PICTURES, INC.,

Plaintiff-Appellee,

v.

LEISURE TIME PRODUCTIONS,

Defendant-Appellant.

LEISURE TIME PRODUCTIONS, B.V.,

Third Party Plaintiff-Appellant,

v.

COLUMBIA PICTURES INDUSTRIES, INC. and Columbia Pictures Entertainment, Inc.,

Third-Party Defendants-Appellees,

Horizon Pictures G.B.; Academy Pictures, A.G.; David N. Bottoms and Hon. Raya S. Dreben, as Executors of the Estate of Samuel Spiegel,

Third Party Defendants.

Docket 93-7361

A petition for rehearing containing a suggestion that the action be reheard in banc having been filed herein by Defendant-Third-Party-Plaintiff-Appellant, Leisure Time Productions, B.V.

Upon consideration by the panel that decided the appeal, it is

Ordered that said petition for rehearing is DENIED.

It is further noted that the suggestion for rehearing in banc has been transmitted to the judges of the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

FOR THE COURT,

GEORGE LANGE III, Clerk